

EXHIBIT IV

GOVERNMENT OF PUERTO RICO
DEPARTMENT OF EDUCATION
HATO REY, PUERTO RICO

CONTRACT FOR PROFESSIONAL SERVICES

This contract, made and entered into by and between the Department of Education, represented by Julia Beatrice Keleher, of legal age, single, and resident of San Juan, Puerto Rico, in her official capacity as Secretary of Education (hereafter referred to as "the DEPARTMENT"), and **BDO Puerto Rico, P.S.C.**, a professional services corporation organized under the laws of the Commonwealth of Puerto Rico, with offices in San Juan, Puerto Rico, represented in this act by **Harry E. Alemán Quiñones**, of legal age, married, and resident of San Juan, Puerto Rico, hereinafter designated as the **SECOND PART**.

WITNESSETH

WHEREAS, the **FIRST PART**, in the exercise of the faculties conferred upon it by Public Law 85-2018 for the Department of Education of Puerto Rico, by the Constitution of the Commonwealth of Puerto Rico and by the laws that the **FIRST PART** administers, contracts the services of the **SECOND PART**.

WHEREAS, the **SECOND PART** has represented to the **FIRST PART** that it has the necessary experience, capacity, expertise and resources to perform the obligations and duties assumed hereunder.



WHEREAS, the **SECOND PART** has demonstrated experience and capacity in this area of endeavor.

WHEREAS, the **FIRST PART** engages the **SECOND PART** to render certain technical and consulting services in connection with the administration of Federal education programs and others of the **SECOND PART**.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained and other valuable consideration, it is hereby agreed as follows:

COVENANTS



1. The preamble of this contract is hereby made an integral part hereof.
2. The **FIRST PART** designates the Auxiliary Secretariat of Federal Affairs as its representative in all matters related to this Contract.
3. The **SECOND PART** will provide the following services, that are described in the Proposals which is hereby incorporated as part of this contract as "**Appendix A**":
 1. Support and Technical Assistance to 21st Century Community Learning Centers
 2. Support and Technical Assistance to the Participation of Children Enrolled in Private Schools Unit
 3. Support and Technical Assistance to the Program Title II, Part A: Teacher and Principal Training and Recruiting
 4. Support and Technical Assistance to the Program Mathematics & Science Partnership
 5. Support and Technical Assistance to the Auxiliary Secretariat of Federal Affairs as a liaison with the Department of Education Office of Human Resources, The Office of Planning, The Budget Office among others in relation to federal funds management.
 6. Support and Technical Assistance to the Work Plan Unit and the Adjudication Unit of the Auxiliary Secretariat of Federal Affairs
 7. Support and Technical Assistance to the Monitoring Unit of the Auxiliary Secretariat of Federal Affairs
 8. Support and Technical Assistance to Management and Administration of Federal Funds
 9. Support and Technical Assistance to the Homeless Program & Neglected and Delinquent Program
 10. Other Support and Technical Assistance to be Provided

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11. The combination of these objectives will serve as the basis of the Department's workplan. This workplan pursues the idea that funds should assist the Department in achieving the goals they are intended to be use for. The following approaches will be used as part of our work in order to add value, identify flaws and establish mechanism to correct them:
 12. Establish the use of metrics to measure compliance and ensure that all program reporting is being prepared on time.
 13. Analyze the data received from programs to assist them in the development of new strategies to ensure compliance with Federal laws and regulations by pursuing efficiency.
 14. Budget vs Actual comparisons to identify deviations on a timely manner and correct them.
 15. Evaluation of information and results to assist in strategic decision-making.
 16. Establish a detailed workplan for each program goal and for each project to organize the work to performed and ensure that all tasks are being assigned and deadlines are established.
 17. Monitoring activities to ensure that funds are being used for the purposes intended for and to determine its effectiveness.
 18. Use of frameworks, flowcharts and procedures manuals to transfer the obtained knowledge and reduce the learning curve.
 19. Data validation to ensure that the data used in the decision-making process is reliable and can serve as the basis for comparisons, decisions and analysis.
 20. Use of Risk Analysis approaches to identified problematic areas and then develop and establish preventive and detective controls to reduce or eliminate risks.
 21. Maximize the use of Information Systems to generate data in a speed up manner for better decision making.
 22. Project Management strategies to organize the work to be performed, the goals to be accomplished and follow up the timeline established.
 23. Other related matters as requested by the **FIRST PART**.

Appendix B



1. Will provide Technical Assistance and Financial Consulting Services to the Secretariat of the Puerto Rico Department of Education or personnel designated by her.
2. Support and technical assistance in the school consolidation and redesign process in order to improve the efficiency by right-sizing the school system.
3. Assist in the teacher evaluation process by developing metrics and performance measures.
4. Analyze the teachers' surplus and/or needs in all the school system in order to maximize the teachers distribution and the funds used for such purposes.
5. Provide Support and technical assistance to Vocational Program and the Budget Office in matters related to funds management and compliance. Will also provide support to other areas of the Department.
6. Establish the use of metrics to measure compliance and ensure that all program reporting is being prepared on time.
7. Analyze the data received from programs to assist them in the development of new strategies to ensure compliance with State laws and regulations in order to increase efficiency.
8. Evaluation of information and results to assist in strategic decision-making.
9. Establish a detailed work plan for each program goal and for each project

to organize the work to performed and ensure that all tasks are being assigned and deadlines are established.

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10. Monitoring activities to ensure that funds are being used for the purposes intended for and to determine its effectiveness.
 11. Use of frameworks, flowcharts and procedures manuals to transfer the obtained knowledge and reduce the learning curve.
 12. Data validation to ensure that the data used in the decision-making process is reliable and can serve as the basis for comparisons, decisions and analysis.
 13. Use of Risk Analysis approaches to identified problematic areas and then develop and establish preventive and detective controls to reduce or eliminate risks.
 14. Maximize the use of Information Systems to generate data in a speed up manner for better decision making.
 15. Assist the Human Resources department in teacher and employee assignment, needs determination, data analysis, data validation and roster creation by school, regions and central level to ensure that all needs are being covered, the finding is adequate and reduce the surplus of personnel.
 16. Provide assistance in the implementation of the Law 85 (School Reform Law).
 17. Provide support to the Budget Office in the preparation of the 2019-2010 budget.
 18. Assist in the preparation of the National Public Education Financial Survey for the 2017-2018 fiscal years.
 19. Assist the Department with FEMA as part of the recovery efforts related to Hurricane Irma and Maria.
 20. Assist the Department in the school reopening for the new school year in terms of facilities, conditions and moving of equipment and materials. Will also assist during the process of inventory of equipment in order to update the Departments records and ensure compliance with laws and regulations.
 21. Advice the Secretary in any petition requested and perform any other duties assigned by the **FIRST PART**.

4. The **SECOND PART** shall perform its services in conformance with the applicable authorized assignment under this Agreement and in accordance with the generally accepted practices at the time applicable of the nature of the particular services. The services shall be in conformity with all applicable federal, state and local laws, codes and regulations and the requirements incorporated into this Agreement.
5. The **SECOND PART** will conduct those studies, and will produce those reports or any other documents necessary and relevant for the performance of the duties commissioned under this Agreement. It is provided that all written materials, including reports, drafts from studies, projections and negotiations carried out by the **SECOND PART** in compliance with the provisions of this Contract shall be of the exclusive property of the **FIRST PART** without this leading to additional compensation for the **SECOND PART**. The **SECOND PART** may not disclose, publish, distribute or in any way use the same without the previous written authorization of the **FIRST PART**.
6. During the course of this Agreement, each **PART** may disclose to the other **PART** information which is confidential or proprietary. For purposes of this Agreement, "Confidential Information" shall mean and include, but not be limited to: (i) any information labeled, marked, or identified, verbally or in writing, as confidential by the disclosing **PART**; (ii) any financial information; (iii) any customer or client lists; (iv) internal policies and procedures; (v) the terms of this Agreement and any attachments hereto; (vi) any unpublished reports, technologies, or other materials

which are proprietary to the disclosing **PART** and which have not been made available to the general public; and (vii) any information which the disclosing **PART** would not release without obligations of confidentiality.

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7. Each **PART** shall use the Confidential Information of the other **PART** for the sole purpose of performing their respective obligations under this Agreement and shared only with employees with a need to know such information. Each **PART** shall not disclose the Confidential Information of the other **PART** to any third **PART** without the prior written consent of the **PART** who owns such information, unless required by law. The term "Confidential Information" shall not mean any information which: (i) is previously known to the **PART** without obligation of confidence; (ii) which is publicly disclosed either prior or subsequent to the receiving **PART's** receipt of such information; or (iii) is rightfully received by the receiving **PART** from a third **PART** without any obligations of confidence.
 8. The **SECOND PART** agrees to defend, support and represent the findings, evaluation and analyses of the written materials, including reports, drafts from studies and projections carried out by the **SECOND PART** in compliance with the provisions of this Contract at any forum which requests the **SECOND PART's** appearance.
 9. The **SECOND PART** will coordinate and meet with the **FIRST PART**, with their authorized representative or with representatives of other agencies or branches of the Commonwealth of Puerto Rico to guarantee a uniform public policy in any steps that it takes, when applicable.
 10. The **SECOND PART** shall not subcontract the performance of the services specified in paragraph number "3" of this Agreement. The **SECOND PART** will be responsible for hiring the personnel that will offer the services under this Agreement. The **FIRST PART** shall have no obligation regarding the working schedule, wages and any other claim on the part of the personnel recruited by the **SECOND PART** under this Agreement.
 11. The parties represent and warrant that no employee of the **FIRST PART** has direct or indirect monetary interest in the present Contract.
 12. The **SECOND PART** recognizes that in the performance of its professional functions it owes complete loyalty to the **FIRST PART**, which includes not having adverse interests to said governmental organization. These adverse interests include the representation of clients that may have or could have interests contrary to the **FIRST PART**. Furthermore, this duty includes the continuous obligation of disclosing to the **FIRST PART** all the circumstances of the relationship of the **SECOND PART** with clients and third persons and any interest that could have influenced the **FIRST PART** at the moment of awarding the Contract to the **SECOND PART**.

-----The **SECOND PART** represents conflicting interests when, in benefit of a client, it is its duty to promote that to which it must be opposed in compliance of its obligations to another prior client, current or potential. Furthermore, it represents conflict of interest when its conduct is contrary to such applicable professional ethical standards, or the laws and regulations of the Commonwealth of Puerto Rico.

-----In contracts with partnerships or corporations, it will constitute a violation of this prohibition if any of their directors, associates or personnel engages in the conduct described herein. The **SECOND PART** will avoid even the appearance of the existence of conflicting interest.

13. The **SECOND PART** recognizes the power of inspection of the **FIRST PART** in relation to the compliance of the prohibitions here contained. If the chief of the Agency understands that there exists or there have emerged adverse interests towards the **FIRST PART**, the **FIRST PART** will notify the **SECOND PART** of its findings in writing and its intention to rescind the Contract within thirty (30) days. Within such term, the **SECOND PART** will be able to request a hearing with the **FIRST PART** to raise its arguments to such conflict determination. The hearing will be granted in every instance. If such hearing is not requested by the said date or if the controversy is not satisfactorily solved during the hearing, this Contract shall be rescinded.

14. The **FIRST PART** agrees to pay to the **SECOND PART** for all the services provided according to the terms of this contract up to a maximum of **six million three hundred sixty three thousand dollars (\$6,363,000.00)** prior presentation of invoices for the cost incurred for the services provided and duly certified by the **FIRST PART**.

- i. For the services described in paragraph number “3” under Appendix A of this Agreement, the **FIRST PART** will pay the **SECOND PART** the amounts under the following categories:

RESOURCES	NUMBER OF HOURS	HOURLY RATE	TOTAL
Senior /Senior Manager, Manager y Seniors	34,300	\$105.00	\$3,601,500.00

- ii. For the services described in paragraph number “3” under Appendix B of this Agreement, the **FIRST PART** will pay the **SECOND PART** the amounts under the following categories:

RESOURCES	NUMBER OF HOURS	HOURLY RATE	TOTAL
Senior/Senior Manager/ Manager y Seniors	26,300	\$105.00	\$2,761,500.00

- a. The **SECOND PART** agrees to invoice the **FIRST PART** up to a maximum of eight (8) hours daily per employee or resource that provides services to the **FIRST PART** under the terms of this Contract. The **SECOND PART** may invoice for services rendered in excess of eight (8) hours daily, or on Saturdays, Sundays or holidays, only if the **FIRST PART** previously authorized them in writing.
- b. The **FIRST PART** may retain payment under this Contract in any of the above category until the **SECOND PART** submits all reports and other documents required by this contract. The **FIRST PART** has the right to request additional documentation if the documentation already submitted pursuant to the provisions of this Contract does not reasonably address the Contract requirements.
- c. Payment to the **SECOND PART** will be made by the **FIRST PART** from the following accounts: consolidated administration federal funds **E1290-221-01055200-06F-2019-00081-ADMCONLEA22119A-ADMINISTRACION-06F-1290 (\$2,881,200.00)**; **E1290-221-01055200-06F-2019-00081-ADMCONSEA22119A-ADMINISTRACION-06F-1290 (\$720,300.00)**; and non-federal funds **E1290-234-02000000-0000-006-2019AFE004 (\$2,761,500.00)** and/or from other account or accounts with available funds.
- d. After the first day of each calendar month, the **SECOND PART** shall submit to the **FIRST PART** a certified invoice containing a detailed description of the services rendered by the **SECOND PART** in the previous month in the performance of its services to the **FIRST PART**. In addition to the services rendered, the invoice shall include the dates when the services were performed, the time spent on each service and evidence of the services rendered. Said invoice shall be certified by the Secretary of Education or his authorized representative.
- e. Each invoice submitted by the **SECOND PART** will contain a certification that reads as follows: “Under penalty of absolute nullity I hereby certify that no employee of the Department of Education has any direct or indirect pecuniary or other interest in this Agreement. If an employee is part or has any direct or indirect pecuniary or other interest in this Agreement, a previous waiver has been presented. The only consideration for providing the goods and services

object of this contract has been the accorded payment agreed upon with the authorized representative of the Department of Education. I hereby certify that this invoice is correct and that payment thereof has not been received."

- f. The **SECOND PART** shall submit invoices for payment within the first ten (10) days of the month following the rendering of services. In the event that the **SECOND PART** submits invoices for payment after forty (40) days from the last day of the month in which services were provided, the **SECOND PART** accepts that the **FIRST PART** will make an automatic adjustment to the invoices which will lead to a reduction of five percent (5%) of the submitted invoices. In case that the **FIRST PART** returns to the **SECOND PART** the invoices to correct them, the **SECOND PART** will have five (5) working days from the notification to carry out corrections and submit them again. If this does not occur within such five (5) working days, the **SECOND PART** accepts that the **FIRST PART** will make automatic adjustments to the invoices which will lead to a reduction of five percent (5%) of the total amount of the invoices.

- g. The **SECOND PART** shall submit the invoices by the **FIRST PART's** on line billing system according to the procedure established by the **FIRST PART**. The **SECOND PART** will be responsible for the veracity and accuracy of the information provided in the online billing system. If the online billing system is not available, the **FIRST PART** will determine the procedure to follow for the delivery of the invoices and shall notify it in writing to the **SECOND PART**. The **SECOND PART** certifies that the **FIRST PART** has delivered the documentation or User Manual for the supplier for the use of the online billing system.

15. This Contract will be in effect from the effective date of the agreement to **June 30, 2019** subject to the availability funds. At the option of the **FIRST PART**, the term of this Contract can be extended by written agreement by both parties. With previous written notification to the **SECOND PART** thirty (30) days in advance, the **FIRST PART** will be able to rescind this Contract, before the expiration date, without any additional compensation to the **SECOND PART**, except for what has been accrued under the same until that date.

-----The Office of the Governor's Chief of Staff has the faculty to cancel this Agreement at any moment, without prior notification.

16. The negligence in the compliance or noncompliance of the provisions in this Contract or inappropriate conduct of the **SECOND PART** will constitute sufficient cause to rescind the same forthwith, without the need of a previous notice. If the **FIRST PART** opts for a resolution of the present Contract, the **SECOND PART** shall abstain from performing any ulterior effort unless its inaction could damage the **FIRST PART** or implicate inadequate professional conduct, in which case, it will notify the **FIRST PART** of such effort.
17. The **SECOND PART** certifies and guarantees that it has complied with its federal and Puerto Rico tax liabilities during the past five (5) years, including filing income tax returns on earnings. It certifies that it does not have a debt with the Commonwealth of Puerto Rico by said concept. The **SECOND PART** specifically represents and warrants that all Commonwealth and federal tax returns have been filed. It is explicitly recognized that this is an essential condition of the present Contract, and if the above certification should prove to have been truthful in all or in part, this will be sufficient cause for the **FIRST PART** to annul the same and the **SECOND PART** shall refund the contracting party all the funds received under this Contract.
18. The **SECOND PART** will be responsible for paying: (i) all applicable income taxes in accordance with any and all applicable income tax laws, and (ii) any corresponding payments of employer and employee contributions to the Social Security Administration. It is explicitly recognized that this is an essential condition of the present Contract, and if the above certification should prove to not be truthful in all or in part, this will be sufficient cause for the **FIRST PART** to annul the same and the **SECOND PART** shall refund the contracting PART all the funds received under this Contract.
19. The **SECOND PART** is an independent Contractor and the execution of this

Agreement does not make any of the parties hereto an employee, agent, representative, alter ego or attorney-in-fact of the other. This Agreement does not authorize the **SECOND PART** to enter into obligations on behalf of the **FIRST PART**. The **SECOND PART** recognizes that it may not alter any of the **FIRST PART's** internal procedures or policies without express consent. Consequently, the actions of the **SECOND PART** shall not be binding on the **FIRST PART**.

20. The **SECOND PART** certifies that it has a total waiver with regard to the withholding at source of payment for services rendered by corporations pursuant to Section 1062.03(g) of the Puerto Rico Internal Revenue Code of 2011, as amended. Accordingly, the **FIRST PART** will withhold at source any amount for payments made to the **SECOND PART**. The **FIRST PART**, whenever applicable, will retain a special contribution equal to one point five percent (1.5%) of the Agreement's total amount from the payments made to the **SECOND PART** according to Commonwealth of Puerto Rico Law 48-2013.

21. The **SECOND PART** will submit at the signing of this contract the following documents as applicable:

- (X) Certificate of Merchant Registry issued by Puerto Rico's Department of Treasury.
- (X) Certificate of eligibility of the strategic network of services to the citizen (Red Estratégica de Servicios al Ciudadano (RESC)).
- (X) "Good Standing" Certificate issued by Puerto Rico's Department of State.
- () Authorization of Puerto Rico's Department of State for Doing Business in Puerto Rico.
- (X) Certificate of Filing Sales and Use Tax Form issued by Puerto Rico's Department of Treasury.
- (X) Certificate of Sales and Use Tax Debt Form issued by Puerto Rico's Department of Treasury.
- (X) Certificate of Debt issued by Puerto Rico's Department of Treasury.
- (X) Certificate of Income Tax Returns on Earnings for the Past Five (5) Years issued by Puerto Rico's Department of Treasury.
- (X) Certificate of tax Deduction Exemption issued by Puerto Rico's Department of Treasury, if applicable.
- (X) Certificate of Filing Personal Property Tax Form for the past five (5) years issued by Puerto Rico's Center for Collection of Municipal Revenues.
- (X) If the Corporation does not own personal property or has not filed the Personal Property Tax Form for the past five (5) years, it must submit a sworn statement to that effect.
- (X) Certificate of Debt issued by Puerto Rico's Center for Collection of Municipal Revenues.
- (X) Certificate of Debt issued by Puerto Rico's Department of Labor and Human Resources (Insurance for Unemployment and/or Temporary Disability).
- (X) Certificate of Debt issued by Puerto Rico's Department of Labor and Human Resources (Driver's Insurance).
- (X) Certificate of Debt issued by Puerto Rico's State Insurance Fund.
- (X) Certification of Fulfillment with Orders of the Office of Puerto Rico Child Support Enforcement.
- (X) Corporate Resolution authorizing the person who will sign the contract (document with corporate seal).
- (X) Sworn Statement of Criminal Records.

22. The **SECOND PART** will keep the documents generated in connection to this Contract for a period of six (6) years after the same has expired. If an audit has been initiated and a finding remains unsolved at the end of the said period, the documents will be kept until the resolution of said finding.

23. The **SECOND PART** recognizes that persons duly authorized by the **FIRST PART** or state or federal officials will have access and right to examine the documents generated in relation to the present Contract. The covenants in this clause shall survive the termination of this Agreement.

24. The **SECOND PART** acknowledges that its employees shall not be entitled to claim any of the fringe benefits granted to government employees.

25. The **SECOND PART** assures that the services shall be rendered in good manner and professionally. If the **SECOND PART** fails to render the services in such manner, the **FIRST PART** will be entitled to contract other persons for the rendering of said services, and the **SECOND PART** shall pay to the **FIRST PART** any cost or expense incurred and attributable to such services if the fees of the **SECOND PART** have been paid or for the amount in excess of the fees under this Agreement for said services if the fees have not been paid by the **FIRST PART**.
26. This contract may not be assigned or in any way by the **SECOND PART** to any other natural or legal person.
27. The **SECOND PART** shall defend, indemnify and hold the **FIRST PART** and its employees harmless from all losses, liabilities, damages, costs, expenses and claims incurred by the **FIRST PART** by reason of a defense against any such claim or for any judgment that may fall against it as a result of any damage or loss that may occur to persons or property by reason of any act or occurrence arising out of or in connection with the activities performed by the **SECOND PART** under this Agreement.
28. The **SECOND PART** represents and warrants that the services to be rendered to the **FIRST PART** pursuant to another contract subscribed with the **FIRST PART** are not in conflict with the services to be rendered under this Contract.
29. The **SECOND PART** acknowledges and accepts that the **FIRST PART** may retain from the amounts it owes to the **SECOND PART**, those amounts that are necessary to satisfy or pay any debts for concept of tax revenue, on personal or real property (CRIM), duties, unemployment insurance, disability, chauffeurs social security, and debts for interests, dividends, rents and other similar distributions made by the **SECOND PART** and any other debt which the **SECOND PART** owes to the Government of Puerto Rico.
30. The **SECOND PART** certifies that neither it, neither any of their officials, employees and subsidiaries have been convicted, or has been found probable cause for their arrest, for no crime against the treasury, the faith and the public function; against the government exercise; or that involves funds or public property, in the federal or state scope.
31. This contract may be canceled **IMMEDIATELY** in case that there is a determination of probable cause for arrest against the **SECOND PART** for the commission of any crime against the treasury, the faith or the public function; against the government exercise; or that it involves funds or public property, at the federal or state scope.
32. The **SECOND PART** acknowledges their obligation to inform the **FIRST PART** in continuous manner during the terms of the contract any fact related to any investigation of a crime against the treasury, the faith or the public function; against the government function; or that involve funds or public property, in the federal or state scope. This obligation will be continuous during all the stages of the execution of the contract.
33. The **SECOND PART** certifies that during the ten (10) years prior to the execution of this contract, the person or contracting entity has not incurred in any crime against the treasury, the faith or the public function; against the government function; or that involve funds or public property, in the federal or state scope.
34. This contract and the appendixes attached to it constitute the entire agreement of the parties with respect to the subject matter hereof. This contract may be amended only by a document executed by both parties purporting to effect such an amendment.
35. This contract shall at all times be subject to and interpreted by, and shall be complied with in accordance with the laws of the Commonwealth of Puerto Rico. The General Court of Justice of San Juan of the Commonwealth of Puerto Rico shall have exclusive jurisdiction to resolve any dispute or controversy regarding the application or interpretation of this contract, and the parties hereto irrevocably submit themselves to the exclusive jurisdiction of the Court of First Instance of the Commonwealth of Puerto Rico.
36. If any term, covenant or provision of this contract is invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term, covenant or provision of this Agreement shall be valid and enforceable to the full

extent permitted by law.

37. In the event of any inconsistency between the interpretation of the clauses of this agreement and the content of the proposal which is incorporated as part of this contract as an appendix, the clauses of this agreement shall prevail and be binding upon the parties.
38. In all pertinent and the applicable, the **SECOND PART** is specifically committed to the transference of knowledge to the personnel of the **FIRST PART** during the term of the present contract, which is an essential and obligatory condition to its fulfillment. The violation of this disposition will be sufficient cause for the **FIRST PART** to conclude this obligation and the **SECOND PART** will have to refund to the **FIRST PART** all sum of money received under this Contract.
39. The **SECOND PART** will abide by Law 168-2000, as amended, regarding the support of elderly people. In order to obtain or maintain a contract with the **FIRST PART**, it is an essential condition that the person liable for a pension to an elderly person is up to date with the payments or is in compliance with a payment plan, and has not failed to comply with orders, citations, requirements, resolutions or sentences issued by the court or the Administrator by virtue of said law.
40. No services or payment subject to this Agreement can be claimed until the same has been registered in the Comptroller's Office, as set forth by Public Law Number 18 of October 30, 1975 as amended.
41. The Parties agree to comply with all aspects of the Federal False Claims Act which, in general, prohibits: (i) knowingly presenting, or causing to be presented to the Government of the United States a false claim for payment; (ii) knowingly making, using, or causing to be made or used, a false record or statement to get a false claim paid or approved by the Government of the United States; (iii) conspiring to defraud the Government of the United States by getting a false claim allowed or paid; (iv) falsely certifying to the United States the type or amount of property to be used; (v) certifying receipt of property on a document without completely knowing that the information is true; (vi) knowingly buying Government of the United States property from an unauthorized officer of the Government of the United States, and; (vii) knowingly making, using, or causing to be made or used a false record to avoid or decrease an obligation to pay or transmit property to the Government of the United States.
42. The **SECOND PART** certifies and guarantees that it does not discriminate under any circumstance on the basis of age, race, color, gender, birth, veteran status, political ideology, religion, social origin or condition, sexual orientation or gender identity, physical or mental disability; or for being a victim of domestic violence, sexual aggression or harassment, stalking or any other discriminatory cause during the provision of the services to be rendered to the **FIRST PART** pursuant to this contract.
43. The **SECOND PART** certifies that it meets the ethical standards of its profession and assumes full responsibility for any action that might be contrary to such ethical standards. In addition, the **SECOND PART** certifies that it will comply with Law 1-2012, known as "Governmental Ethics Law", with the purpose, among others to promote and preserve the integrity of the officials and public institutions of the Commonwealth of Puerto Rico. Any breach of the provisions of this law may be processed civil or administratively, as the case may be.

-----The **SECOND PART** acknowledges and agrees that it shall not request, seek or otherwise receive information, intervention, cooperation or assistance in any way or will be represented in any capacity, directly or indirectly, by a former public servant on official actions, as defined in article 1.2 (a) of Law 1-2012, or matters in which it intervened while he worked as a public servant.

-----The **SECOND PART** acknowledges and agrees that it will not receive information, intervention, cooperation or assistance in any way from a former public servant or be represented in any capacity, directly or indirectly by said servant before the Agency for which he worked during the two (2) years following the date of completion of his Government employment.


-----The **SECOND PART** recognizes and accepts that it will not hire, direct or indirectly, a former public servant that has executed an official action, as defined in article 1.2 of Law 1-2012, related to the **SECOND PART** during the year following

the date of termination of his Government employment. This prohibition does not apply to intergovernmental Agreements.

-----This prohibition does not apply to former public servants who want to return to the specialized private sector from which they came, provided their official actions, according to defined in the article 1.2 (to) of Law 1-2012, did not favor the entity in which the former public servant proposes to work or have pecuniary interest.

-----The **SECOND PART** acknowledges and agrees that any public servant may not use confidential or privileged information acquired in the exercise of his official duties to enrich himself or a third party.

-----The **SECOND PART** acknowledges and agrees that it will not employ or maintain Contractual or business relationships with a public employee that, although legally allowed:

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- A. Have the effect of undermining the independence of judgment of the public servant in the performance of his official duties.
 - B. Have the faculty to decide or influence the official actions of the Agency related to the **SECOND PART**.
 - C. Have the authorization to Contract or who is empowered to approve or recommend the granting of a Contract to the **SECOND PART**.

44. The **SECOND PART** recognizes that Article 18 of Law 103-2006, as amended, regulates and expressly limits the use of public funds to pay for lobbying costs only to those lobbying services exclusively performed to search and identify federal funds or legislation that promotes Puerto Rico's economic well-being.

The **SECOND PART** certifies that: (a) the services under this contract do not include lobbying services and (b) the funds assigned under this contract will not be used to pay for lobbying services, regardless of their purpose. Through this certification, the **SECOND PART** establishes that it will not use the public funds under this contract to render lobbying services before the following government branches: Federal Government, Federal Congress, state governments, state legislatures, municipal governments, municipal assemblies, and public corporations, among others.

Any violation to this clause, the regulation and the limitation of Article 18 of Law 103-2006, as amended, will be sufficient cause for the **FIRST PART** to cancel this contract automatically.

45. Both parties recognize and agree that the services described in this Contract may be provided by instruction of the **FIRST PART** to any entity of the Executive Branch with which the **FIRST PART** has an interagency agreement or by direct instruction of the Office of the Governor's Chief of Staff. These services will be rendered under the same terms and conditions as to hours of work and compensation contained in this Contract. For purposes of this clause, the term "entity of the Executive Branch" includes all agencies of the Government of Puerto Rico, as well as the instrumentalities and public corporations and the Governor's Office. The services to be performed by the **SECOND PART** will be those allowed by the Federal program that provides the funds.
46. BOTH PARTIES recognize the need to streamline communication and processes between consultants, suppliers of goods and services and the agencies of the Government of Puerto Rico. In addition, BOTH PARTIES accept the duty to protect and retain the record of official activities and the integrity of the content of all official communications and notifications between BOTH PARTIES, without risking the Government's information systems and ensuring its safety. Therefore, BOTH PARTIES agree that, from now on, any natural or legal person who provides services to the Government, will be obliged to request and use the email account provided by the Government, with backup of written and official communications of the Suppliers with any agency with which a contract exists, this being the only authorized method for electronic communications and notification, as long as the contract will be in effect. The email account provided will serve to carry out any official communication with the Government, using the domain name @Vendors.PR.Gov. These accounts will be activated at the execution of the contract, will remain active during the contractual relationship and will be deactivated at the conclusion of the contract. In addition, these accounts can be reactivated, with the renewal of the contracts, after the appropriate notification by

the **FIRST PART** to the Office of Management and Budget of Puerto Rico.

47. According to the laws and the rules that guide the contracting of services, both parties in this contract acknowledge that no services will be rendered under this contract until both parties have signed it. Accordingly, no service will be rendered after its date of conclusion, except that at said time there is an amendment to this contract signed by both parties. No services will be paid in violation of this clause. Any employee of the Department of Education that solicits and/or accepts services in violation of this disposition does so without any legal authority.
48. The **SECOND PART** promises to comply with the dispositions of the Code of Ethics for Contractors, Suppliers and Applicants for Economic Incentives from Executive Agencies of the Commonwealth of Puerto Rico of Law 84 of June 18, 2002.

IN WITNESS WHEREOF, the parties have respectively signed and sealed this Agreement on July 31, 2018.

By:

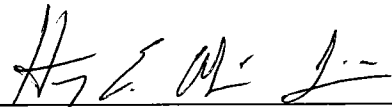


Julia Beatrice Keleher, Ed. D.
Secretary of Education

FIRST PART

DIN Num:

By:



Harry E. Alemán Quiñones
Partner

SECOND PART

DIN Num:

By Express Delegation:

Eric R. Huertas Morales, Esq.
Undersecretary of Administration

DEPARTMENT OF EDUCATION

Submitted by :



Yanín M. Dieppa Perea, Esq. Assistant Secretary of Federal Affairs

Revised:



César Domínguez Cuevas, Legal Counsel



BDO PUERTO RICO/USVI PROPOSAL TO PROVIDE SERVICES TO: PUERTO RICO DEPARTMENT OF EDUCATION

JUNE 21, 2018

Appendix A





BDO PUERTO RICO, PSC
1302 Ponce De Leon Ave.
1ST Floor
San Juan, Puerto Rico 00907
Tel: 787-754-3999 Fax: 787-754-3105
www.bdopr.com

BDO USVI, LLC
Foothills Professional Building
9151 Estate Thomas, Suite 201
St. Thomas, VI 00802
Tel: 340-776-0640 Fax: 340-779-8653
www.bdousvi.com

June 21, 2018

Ms. Yanín M. Dieppa Perea, Esq.
Federal Affairs Office Director
Puerto Rico Department of Education
PO Box 190759
San Juan, PR 00919-0759

Dear Ms. Dieppa:

We thank you for the opportunity to present our proposal to provide advisory services to the Puerto Rico Department of Education ("Department of Education"). BDO has a unique culture rooted in core values that ensures continuous focus on our clients and professionals and a long-term commitment to quality service. Our clients experience our culture through a service approach characterized by extensive involvement of senior professionals, direct access to top technical resources, and straightforward, proactive communications delivered through a centralized, responsive, knowledgeable client service team.

With a global footprint that spans 154 countries and extensive experience delivering professional accounting services to companies around the world, BDO is poised to address your immediate service needs and is ready to leverage our capabilities to support you in your objectives.

We understand there are several matters that you consider to be important when selecting a professional accounting firm. We believe the following attributes demonstrate why BDO is the ideal firm for the Department of Education:

- ▶ BDO's extensive experience and expertise in assurance, tax and advisory services
- ▶ BDO's deep government and related sectors experience
- ▶ Swift responsiveness and issue resolution
- ▶ Your engagement team is empowered to make technical decisions in the field.
- ▶ BDO's "no surprises" and value-added competitive fees philosophy

The following statement of our capabilities aims to address these concerns and outline how BDO will meet your service needs. Our involved and accessible partners combined with our technical knowledge and flexible, non-bureaucratic organizational structure will provide you with responsive service. We are confident BDO can meet your needs and exceed your expectations in providing well-coordinated services in a cost-effective manner.

Again, we thank you for the opportunity to propose. We look forward to personally presenting our proposal, further demonstrating our capabilities and distinctly different service approach, and responding to any related questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Fernando Scherrer", with a long horizontal flourish extending to the right.

Fernando Scherrer, CPA, CA, MBA
Managing Partner
Business Advisory & Assurance Services
787-378-4363
fernando@bdo.com.pr

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4	Firm Profile and Qualifications
8	Public Sector Experience
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FIRM PROFILE AND QUALIFICATIONS

THE BDO NETWORK - WHERE YOU NEED US, WHEN YOU NEED US

The world seems to be much smaller, and BDO clients value our international reach. Our global network in more than 162 countries stands ready to serve your Organization wherever in the world you do business. The benefits of a global network include:

- ▶ A globally integrated service model
- ▶ The active involvement of local senior professionals
- ▶ A consultative, client-specific approach
- ▶ An industry-specific team, with you for the long term
- ▶ A service culture of continuous, proactive communication



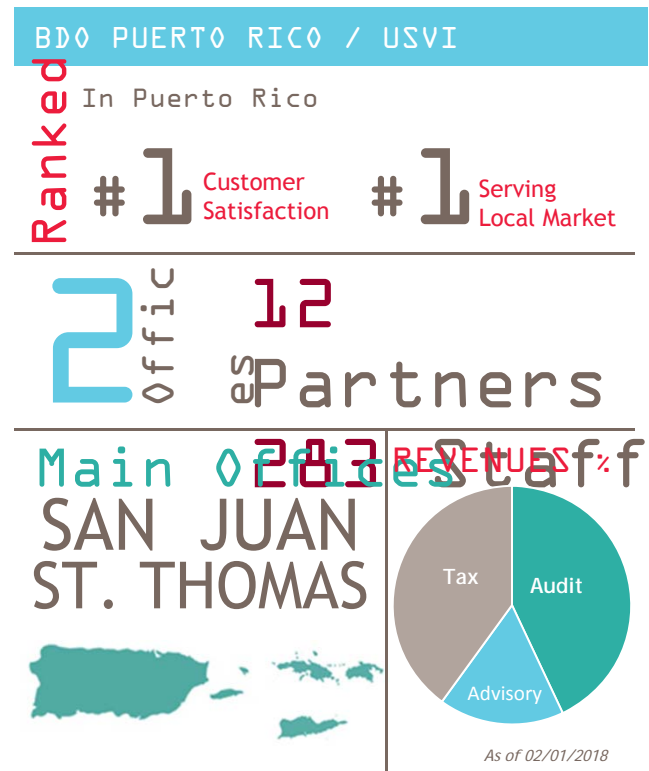
BDO PUERTO RICO/USVI LOCAL REACH

LOCAL PRESENCE

BDO is a full service certified public accounting, tax and business advisory firm with 18 years of industry-focused experience, providing services to public and private clients. With a novel, ground breaking approach centered in partnering with our clients and providing exceptional client service, BDO is the fastest growing and largest local firm in the Island. We are your ideal business partner with the best skilled and trained professionals suited to manage your ongoing and future needs.

Since its foundation, our key to success has always been focusing on our clients' needs and having high caliber professionals. This allows us to keep up-to-date with the industry trends, anticipating changes, and designing proper strategies to take advantage of arising opportunities.

- ▶ Member of the BDO international network, leveraging local expertise with a global perspective
- ▶ Building bridges between creative ideas and viable entrepreneurship
- ▶ Only international firm with meaningful local presence in the USVI
- ▶ Winner of the prestigious Network of the Year award at the International Accounting Bulletin (IAB) Awards 2015.
- ▶ Over 240 skilled and trained professionals, including CPAs, CVAs, CFEs, MAFFs, CGMAs, CIAs, CRMAs, CGAPs, CISAs, CIRAs, PMPs and Attorneys
- ▶ Ranked #1 in customer satisfaction at a recent survey of audit and consulting firms in Puerto Rico
- ▶ First CPA Firm ever awarded with the recognition as one of the Top 20 Employers in Puerto Rico
- ▶ The only Firm recognized by the Ernst & Young Entrepreneur of the Year Award in Puerto Rico
- ▶ Registered with the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board



INDUSTRY STRENGTHS

- Education and Non-profit
- Energy and Natural Resources
- Financial Services and Insurance
- Government and Public Sector
- Healthcare
- Hospitality
- Manufacturing
- Private Equity and Hedge Funds
- Real Estate Ventures and Development
- Retail and Distribution

EXCEPTIONAL CLIENT SERVICE

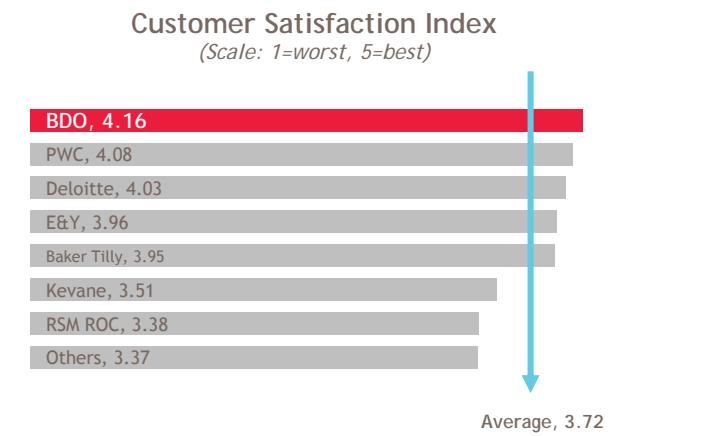
#1 IN CUSTOMER SATISFACTION

BDO PUERTO RICO RANKS NO.1 IN CUSTOMER SATISFACTION

Customers of audit and advisory firms in Puerto Rico participating in an independent survey, ranked BDO Puerto Rico No. 1 in customer satisfaction.

The market research firm *Centroamérica en Siete Días* surveyed 150 mid and large, companies located in Puerto Rico that currently receive services from local audit and advisory firms. The surveys were conducted in February of 2015.

BDO scored 4.16 (out of 5) in customer satisfaction, exceeding even international “Big 4” firms. The survey also shows BDO’s solid second position in terms of market share with 18%, surpassed only by PwC with 20%.



Gabriel Hernandez, CPA
Partner, BDO Puerto Rico, P.S.C.

"We focus every day on putting our customers at the center of everything we do. The results of this customer satisfaction survey reflect our hard work and drives us to continue to think of our customers first and how we can partner with them every day to obtain a better economic performance in their respective businesses."

Because of our commitment to quality service BDO has emerged as the firm of choice for many organizations transitioning away from local service providers as well as “Big 4” firms.

Some of the organizations that have found value changing from the “Big 4” to BDO include:

- ▶ 3M Puerto Rico, Inc.
- ▶ Advent-Morro Equity Partners, Inc.
- ▶ Agilent Technologies Inter-Americas, Inc.
- ▶ Ballester Hermanos, Inc.
- ▶ CCM Group (Commercial Centers Management)
- ▶ César Castillo, Inc.
- ▶ ddr Group
- ▶ Dubon Group
- ▶ Economic Development Bank
- ▶ Empresas Caparra Group
- ▶ Fundación Ángel Ramos
- ▶ Guardian Insurance
- ▶ Hubbell Incorporated
- ▶ Kraft-Heinz
- ▶ Industrial Rubber & Mechanics Inc. (INRUMEC)
- ▶ Lamar Advertising of Puerto Rico, Inc.
- ▶ Lockhart Group (USVI)
- ▶ Luxury Hotels International of Puerto Rico, Inc.
- ▶ Perfecseal, Inc.
- ▶ Puerto Rico Electric Power Authority (PREPA)
- ▶ Puerto Rico Industrial Development Company (PRIDCO)
- ▶ Puerto Rico Infrastructure Financing Authority (AFI)
- ▶ Puerto Rico Ports Authority
- ▶ Rooms To Go (PR), Inc.
- ▶ Sealy Matress Co. of Puerto Rico
- ▶ Tegrant Alloy Brands of Puerto Rico
- ▶ United Surety Insurance Company & USIC Life
- ▶ University of the Virgin Islands
- ▶ Wärtsilä Caribbean, Inc.

PUBLIC SECTOR EXPERIENCE

BDO PUBLIC SECTOR EXPERIENCE

SERVING THE PUBLIC SECTOR - WE KNOW YOU

BDO's Government Services professionals have an in-depth knowledge and understanding of applicable state and local government rules and regulations, federal and industry accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, and economic stimulus program and reporting requirements. Our methodologies and program management approach are designed to deliver repeatable and reliable processes that help clients achieve their goals, facilitate communications, assure accurate and timely reporting, and enable effective operations.

BDO is a valued business advisor to many agencies in the public sector. Our professionals deliver hands-on experience and technical skills to address each of our clients' distinctive needs.

Our team of professionals offers the hands-on experience and technical skill you can rely upon to serve the distinctive needs of the Department of Education.

Our team includes professionals that have worked with GASB 34 financial statements since the pronouncement was issued in 2002. We have implemented GASB 34 for several Public Corporations and the Commonwealth of Puerto Rico, including the conversion from fund accounting to Government Wide financial statements.

We also engage in efforts to design, direct, or recommend corrective action programs to assist governmental and other public sector agencies remediate deficient practices and establish effective accounting protocols, systems, and procedures.

Many of these have been complex and comprehensive projects requiring coordination of multiple tasks for numerous entities within short timelines. We are, therefore, prepared and well-qualified to perform the required audits and prepare all of the reports required by the Department of Education in a coordinated and integrated manner that meets your needs for accurate reporting and timely delivery.



PUBLIC SECTOR SERVICES

PUBLIC SECTOR SERVICES

BDO's Public Sector provides advisory and management consulting support services to government clients. We do this by leveraging over one hundred years of commercial and global history as a company and highly qualified, experienced professionals within the government sector.

BDO's Public Sector practice was launched in the past decade in response to the demand for a fresh, independent perspective in the government environment from a firm able to leverage its proven methodologies and reputation for providing services to its clients for more than 100 years.

ADVISORY

- ▶ **Audit Readiness and Audit Remediation:** Our team provides audit readiness and remediation support to clients undergoing financial statement and compliance audits. From assisting in the development of standardized documentation to support financial transactions to business process improvement and reengineering, our team assists government clients overcome financial and performance audit obstacles.
- ▶ **Internal Controls:** We assist government clients develop and maintain sustainable internal controls programs that provide effective and efficient operations; accurate, timely, and relevant data; and prevent and detect misuse, mismanagement, and fraud through our internal controls services. We provide internal controls assessment services which take a risk-based approach view of an organization to develop and implement an internal controls program that is not only effective and efficient, but results-driven and cost effective. By developing a risk-based approach, an agency can direct people, resources, and funds to a series of actions to ensure efficient and effective financial reporting.

- ▶ **Financial Compliance and Financial Management:** Our team provides financial management services to government clients that cover the spectrum of CFO's responsibilities: budget planning and execution, financial reporting, performance and program evaluation, financial policy, accounting, financial system testing and maintenance, and internal control assessments. We also assist government entities with achieving and maintaining compliance with standards and regulations such as Office of Management and Budget Circulars and government accounting standards.
- ▶ **GASB 34 Financial Statements and Comprehensive Annual Financial Report (CAFR):** Our team of professionals are the industry leaders in preparing GASB 34 Financial Statements and the CAFR. We have over 15 years of experience with GASB 34 and over 20 years in the preparation of the CAFR for the Commonwealth of Puerto Rico.

PUBLIC SECTOR SERVICES OFFERING

BREADTH OF EXPERIENCE

BDO offers a breadth of services tailored to meet your needs. Our core services include:

Assurance, Accounting, and Financial Reporting

- ▶ Financial Audit
- ▶ Performance Audit
- ▶ Single Audit pursuant to Uniform Guidance 2 CFR 200 Subpart F (Previously known as OMB Circular A-133)
- ▶ Audit Readiness Support and Remediation
- ▶ Accounting Procedures Design and Implementation
- ▶ Outsourced CFO Act Accounting Support
- ▶ Budget and Performance Integration
- ▶ Cost Accounting Advisory Services
- ▶ Financial Statement Compilation

Inspector General Support Services

- ▶ Management and Evaluation of Use of Public Expenditures
- ▶ Audits and Reporting on Use of Public Expenditures
- ▶ Assessment of Internal Controls
- ▶ Forensic and Investigatory Projects
- ▶ Performance Audits and Reviews

Technology Governance and Portfolio Management

- ▶ Information Technology Security, Risk Evaluation, and Management
- ▶ General and Application Controls Internal Audit
- ▶ Information Technology and Business Process Alignment
- ▶ IT Controls Assessments

Compliance, Risk Advisory, and Crisis Management

- ▶ Regulatory and Statutory Compliance Reviews
- ▶ Program and Contract Compliance Reviews
- ▶ Internal Control Audit/Evaluation
- ▶ Internal Control Design and Improvement
- ▶ OMB Program Review and Submissions
- ▶ Business Process Improvement and Reengineering

Business Process Enhancement

- ▶ Operational Performance Assessments and Improvements
- ▶ Business Processes Integration
- ▶ Project Management Office
- ▶ Financial Analysis and Modeling
- ▶ Business Continuity Plans
- ▶ Controls Optimization

Enterprise Risk Management and Internal Audit

- ▶ Financial and Operational Audits
- ▶ Quality Assurance Reviews
- ▶ Risk Assessment
- ▶ Controls Optimization
- ▶ Strategic Partnering and Staffing
- ▶ Procurement, Vendor, Royalty, and Construction Audits
- ▶ Corporate Governance Assessments

Fraud Detection/Prevention, Investigations, and Litigation Support

- ▶ Fraud and Misconduct Risk Assessment
- ▶ Investigative Due Diligence
- ▶ Complex Damages Analysis
- ▶ Electronic Discovery (eDiscovery)
- ▶ Gap Analysis
- ▶ Benchmarking
- ▶ Forensic Data Analysis
- ▶ Intellectual Property Valuation
- ▶ Securities Litigation Services
- ▶ Fraud Awareness and Prevention
- ▶ Anti-Corruption Compliance and Investigations
- ▶ Large-Scale Data Recovery and Analysis

PUBLIC SECTOR EXPERIENCE

Advisory Services

- Autonomous Municipality of Caguas
- Commonwealth of Puerto Rico
- Department of Economic Development and Commerce
- Employees Retirement System of the Government of Puerto Rico and its Instrumentalities
- Government Development Bank of Puerto Rico and Affiliates
- Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives
- Puerto Rico Department of Agriculture
- Puerto Rico Buildings Authority
- Puerto Rico Council on Higher Education
- Puerto Rico Department of Justice
- Puerto Rico Department of Education
- Puerto Rico Department of Family
- Puerto Rico Department of Health
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board
- Puerto Rico Health Insurance Administration
- Puerto Rico Housing Department
- Puerto Rico Housing Finance Authority
- Puerto Rico Office and Management and Budget
- Puerto Rico Treasury Department

Grants Management

- Puerto Rico Department of Education
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board

Single Audits

- Government Development Bank and Affiliates
- Institute of Puerto Rican Culture
- Puerto Rico Department of Natural Resources
- Puerto Rico Infrastructure Financing Authority (AFI)
- Puerto Rico Ports Authority
- University of Puerto Rico
- Virgin Islands Water and Power Authority

Preparation of Government Wide Financial Statements

- Commonwealth of Puerto Rico
- Government Development Bank
- Institute of Puerto Rican Culture
- Municipality of Caguas
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Electric Power Authority (PREPA)
- Puerto Rico Infrastructure Financing Authority
- Puerto Rico Tourism Company

Indirect Cost Proposals and Cost Allocation Plans

- Administration for the Development of Families and Children
- Puerto Rico Department of Education
- Puerto Rico Department of Family
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board

PUBLIC SECTOR EXPERIENCE

Governmental Audits

- Additional Lottery System
- Association of Employees of the Commonwealth of Puerto Rico (AEELA)
- Autonomous Municipality of Caguas (includes Single Audit)
- Autonomous Municipality of Humacao
- Autonomous Municipality of San Juan (includes Single Audit)
- Department of Natural and Environmental Resources (includes Single Audit)
- Economic Development Bank (includes Single Audit)
- Employees Retirement Systems of the Government of Puerto Rico and Judiciary
- Government Development Bank of Puerto Rico and Affiliates
- Institute of Puerto Rican Culture
- Office of the Commissioner of Insurance
- Port of the Americas Authority
- Public Buildings Authority
- Public Corporation for the Supervision and Deposit Insurance of PR Cooperatives (COSSEC)
- Puerto Rico Commerce and Export Company
- Puerto Rico Department of Transportation and Public Works (DTOP)
- Puerto Rico Department of Health (includes Single Audit)
- Puerto Rico Electric Power Authority (PREPA)
- Puerto Rico Film Industry Corporation
- Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA)
- Puerto Rico Health Insurance Administration (includes Single Audit)
- Puerto Rico Highways and Transportation Authority (PRHTA)
- Puerto Rico Industrial Development Company (PRIDCO)
- Puerto Rico Industrial, Tourist, Educational Medical and Environmental Control Facilities
- Puerto Rico Infrastructure Financing Authority
- Puerto Rico Land Administration
- Puerto Rico Land Authority
- Puerto Rico Maritime Shipping Authority
- Puerto Rico Municipal Finance Agency
- Puerto Rico Ports Authority
- Puerto Rico Public Broadcasting Corporation (WIPR-Puerto Rico Networks)
- Puerto Rico State Automobile Accident Compensation Administration (ACAA)
- Puerto Rico Teachers Retirement System
- Puerto Rico Trade and Export Authority
- State Insurance Fund Corporation
- Teachers Retirement System
- University of Puerto Rico
- Virgin Islands Public Broadcasting System (WTJX)



SERVICE APPROACH

SCOPE OF WORK

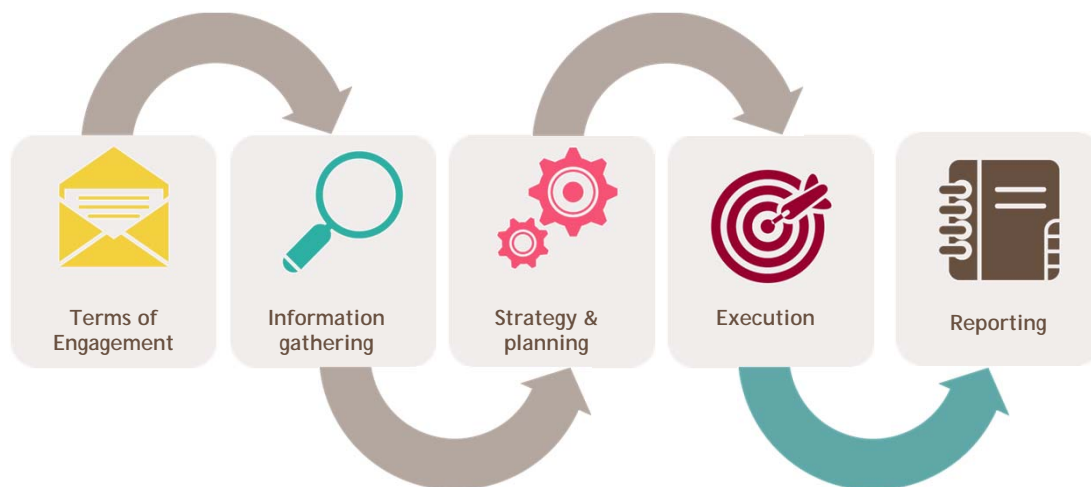
SERVICES TO BE PROVIDED

- ▶ The services to be provided include support to the Department of Education in exercising their responsibilities and duties in its function as a State Educational Agency (SEA) and Local Educational Agency (LEA). We will focus our assistance on increasing the Department's efficiency by improving the mechanisms used to manage, allocate, assign and use Federal Funds to achieve the desired results. These results will be driven by the following main goals of the Department of Education:
 1. Increase student's academic achievement.
 2. Assists students in their academic, emotional and social development.
 3. Establish new strategies for teacher's professional development.
 4. Right-sizing the Department and establish streamlined procedures.
- ▶ We will provide Technical Assistance and Financial Consulting Services to the Auxiliary Secretariat of Federal Affairs Office (SAAF for its name in Spanish) during the fiscal year ending June 30, 2019. Below you will find a list of the areas to which we will be providing services and the expected accomplishments for each one:
 - Support and Technical Assistance to 21st Century Community Learning Centers
 - Support and Technical Assistance to the Participation of Children Enrolled in Private Schools Unit
 - Support and Technical Assistance to the Program Title II, Part A: Teacher and Principal Training and Recruiting
 - Support and Technical Assistance to the Program Mathematics & Science Partnership
 - Support and Technical Assistance to the Auxiliary Secretariat of Federal Affairs as a liaison with the Department of Education Office of Human Resources, The Office of Planning, The Budget Office among others in relation to federal funds management.
 - Support and Technical Assistance to the Work Plan Unit and the Adjudication Unit of the Auxiliary Secretariat of Federal Affairs
 - Support and Technical Assistance to the Monitoring Unit of the Auxiliary Secretariat of Federal Affairs
 - Support and Technical Assistance to Management and Administration of Federal Funds
 - Support and Technical Assistance to the Homeless Program & Neglected and Delinquent Program
 - Other Support and Technical Assistance to be Provided

SCOPE OF WORK (CONT.)

SERVICES TO BE PROVIDED

- ▶ The combination of these objectives will serve as the basis of the Department's workplan. This workplan pursues the idea that funds should assist the Department in achieving the goals they are intended to be used for. The following approaches will be used as part of our work in order to add value, identify flaws and establish mechanism to correct them:
 - Establish the use of metrics to measure compliance and ensure that all program reporting is being prepared on time.
 - Analyze the data received from programs to assist them in the development of new strategies to ensure compliance with Federal laws and regulations by pursuing efficiency.
 - Budget vs Actual comparisons to identify deviations on a timely manner and correct them.
 - Evaluation of information and results to assist in strategic decision-making.
 - Establish a detailed workplan for each program goal and for each project to organize the work to be performed and ensure that all tasks are being assigned and deadlines are established.
 - Monitoring activities to ensure that funds are being used for the purposes intended for and to determine its effectiveness.
 - Use of frameworks, flowcharts and procedures manuals to transfer the obtained knowledge and reduce the learning curve.
 - Data validation to ensure that the data used in the decision-making process is reliable and can serve as the basis for comparisons, decisions and analysis.
 - Use of Risk Analysis approaches to identified problematic areas and then develop and establish preventive and detective controls to reduce or eliminate risks.
 - Maximize the use of Information Systems to generate data in a speed up manner for better decision making.
 - Project Management strategies to organize the work to be performed, the goals to be accomplished and follow up the timeline established.
- ▶ The use of these approaches will guide our services in order to assist the Department in the establishment of improved process, improve decision making and obtain better results. With the analysis performed and the information provided the Department personnel will have all the necessary tools to achieve its goals in an efficient way. A detailed list of the tasks to be performed is included in appendix A.



EFFECTIVE APPROACH

BUSINESS RISK FOCUSED

Our methodology efficiently manages risk for our clients and ourselves in a consistent manner. Our planning and strategy is ‘business risk’ focused and therefore tailored for each of our clients to reflect the specific operational, regulatory and financial risks they face.

COMMON GLOBAL METHODOLOGY

We have a consistent shared global methodology that manages our clients’ and our own risks effectively. Because we use a common advisory methodology around the world and share common software platforms, we are consistent and transparent in how we approach the work performed at every location. This allows members of our global advisory engagement team to “speak the same language,” which is critical to our ability to effectively coordinate the services we provide.

OUR APPROACH

- ▶ **Information gathering.** Of current assessment utilities and control activities to enable us to design appropriate procedures, and conduct the engagement in the most efficient manner and within the pre-agreed time frame and budget.
- ▶ **Suitably qualified staff.** In order to enable an efficient understanding procedure, while maximizing the opportunity for value added service from their experience.

- ▶ **Effective communications.** Effective listening and regular, proactive two-way communication throughout our work process is an essential cornerstone of our work quality and superior client service. This focus on communication allows your BDO advisory team to gather information necessary to perform the engagement and keep you up to date on the status of our services so that you can provide timely input and evaluate whether our services meet your high expectations.
- ▶ **Scalable.** Every organization is unique, and obtaining a strong understanding of your business is essential to tailoring our services to your company’s unique risks and business needs, and avoiding a “one size fits all” approach. Our methodology has been specifically designed to be flexible and scalable so that your engagement team can incorporate its understanding of your business into the approach to appropriately size our efforts to your operations.
- ▶ **Early and Continuous Partner Involvement.** Our professional staff to partner ratio is lower than our major competitors, enabling more time for shareholders to be actively involved in the engagements. Your advisory shareholder has considerable business experience, and BDO believes the engagement shareholder should be actively involved throughout the engagement process in a hands-on manner. Our methodology has been specifically designed to facilitate this level of partner involvement.
- ▶ **Industry Focus.** Through our existing portfolio we have developed industry specific procedures which we will tailor to your specific situation.

INDEPENDENCE AND CLIENT CONFIDENTIALITY

AUDIT INDEPENDENCE

Not only do we have to ensure that BDO remains independent of our audit clients; we also have to ensure that we are perceived to be independent by any readers of your financial statements. We therefore have a number of safeguards in place to ensure this is the case.

If any of our staff believe that they might be conflicted, there is a duty on them to make the circumstances known to the partners. Any staff with financial, business or personal relationships with you will not be allowed to be part of the audit team.

The firm fully complies with the auditing profession's ethical standards on independence.

POTENTIAL CONFLICTS

We have made appropriate conflict of interest inquiries with each of our firms around the world in accordance with our quality assurance procedures, and can confirm that our appointment by you will not give rise to any conflicts.

BDO Puerto Rico, P.S.C. has maintained a professional relationships with the Commonwealth of Puerto Rico and several agencies as mentioned in our Public Sector Experience on pages 9 and 17. These relationships do not constitute a conflict of interest relative to performing the proposed services.

OUR APPROACH TO DEALING WITH CONFLICTS OF INTEREST

We recognize that conflicts can arise from time to time, for example due to a legal action. We will always consider these conflicts on a case by case basis. For every case, we will seek permission to discuss with the other party before proceeding.

BDO will submit a written notice to the Management of the Department of Education in the occasion of engaging in any new professional relationship with the Commonwealth of Puerto Rico during the period of the audit contract.

If both parties are content for us to act, we will agree the safeguards which need to be established – which may involve the use of separate teams and offices.

If it is not appropriate for us to act for both parties, we will endeavour to reach the fairest solution by recognizing the respective position of each party and their ability to engage the services of another provider.

CONFIDENTIALITY

We confirm that when you give us confidential information we will at all times keep it confidential, except as required by law, regulation or professional pronouncements applicable to our engagement.

QUALITY ASSURANCE

The quality of our work is key to our success and we have made a number of investments to ensure our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards.

INTERNAL QUALITY ASSURANCE PROCEDURES

In order to protect our position as a recognized and competent international accounting and consulting organization and to ensure all clients are well served, the BDO network abides by the standards established by the various technical committees of BDO. For the purpose of ensuring that there is compliance with these standards, we have a Quality Assurance manager.

BDO QUALITY ASSURANCE PROCEDURES

We have a number of mechanisms in place to ensure that our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards. These mechanisms include:

- ▶ **Internal reviews** – all technical work is reviewed by a partner and/or a senior technical manager to ensure work is performed and delivered to standards consistent with all relevant professional standards, and complies fully with appropriate regulatory and legislative requirements.

- ▶ **Staff continuity planning** – we understand the benefits to be gained both for our client and for our internal staff in maintaining stable project teams. To this end we build continuity planning into our general business planning and transition planning when necessary. This promotes continuity wherever possible and ensures seamless service.
- ▶ **External reviews** – BDO is subject to periodic AICPA Independent Peer Reviews. Our most recent inspection results are included as an appendix.



CLIENT SATISFACTION

We fully expect our clients to monitor and measure our performance as external professional service providers.

Depending on your requirements, this can be by reference to all or some of the following:

- ▶ Our planning arrangements – it is essential in year one to manage the transition from your present auditors well;
- ▶ The completion of work in line with plans, including the identification and response to critical issues;
- ▶ Our understanding of your business and breadth of operations;
- ▶ The quality of our conclusions and recommendations (implemented, proportional);
- ▶ The timeliness of reporting;
- ▶ Meeting of pre-agreed deadlines;
- ▶ The overall involvement of the partner and manager;
- ▶ The personal engagement of our team;
- ▶ The levels of communication throughout the year;
- ▶ Overall satisfaction with our service.

Good quality, accurate and open client feedback allows us to enhance our performance and gauge how well we are meeting our client's expectations. We take client service and satisfaction seriously, and continuously assess our clients' expectations and perceptions.

BDO recognizes that exceptional client service is achieved in the long term only if we provide a sustained level of superior service which is monitored throughout our relationship. The feedback is gathered as follows:

- ▶ Regular engagement team meetings to discuss the progress of our work and current issues encountered;
- ▶ Engagement team and the Department of Education's management closing meeting at the conclusion of the annual audit to receive feedback and discuss opportunities for improvement;
- ▶ Client professional performance evaluations throughout the year;
- ▶ Periodic conversations initiated by BDO non-engagement team leaders to provide additional opportunities for candid feedback.

SERVICE TEAM

WORKING TOGETHER

Companies know their success is dependent upon swift management decisions and the guidance of a sound business advisor. From global Fortune 500 companies to emerging niche entrepreneurs, *BDO is this advisor.*

Represented by more than 280 top-notch professionals, Certified Public Accountants and skilled and trained professionals, including CVAs, CFEs, MAFFs, CGMAs, CISAs, CIRAs, PMPs and Attorneys.

BDO Puerto Rico/USVI Organizational Chart

as of 02/01/2018

ASSURANCE	TAX / OUTSOURCING	ADVISORY		
Partners	Partners	Partners		
6	4	2		
Directors & Managers	Directors & Managers	BUSINESS ADVISORY / TECHNOLOGY & RISK MANAGEMENT / GOVERNMENT		
14	16	Directors & Managers	Directors & Managers	Directors & Managers
		4	4	21
Senior Associates	Senior Associates	Senior Associates	Senior Associates	Senior Associates
32	14	2	2	14
Associates	Associates	Associates	Associates	Associates
35	42	6	2	43
ADMINISTRATION				
20				





BDO LEADERS SERVING THE DEPARTMENT OF EDUCATION

Engagement Team
<div><div>Fernando Scherrer</div><div>Relationship Partner</div></div>
<div><div>Harry Alemán</div><div>Engagement Partner</div></div>
<div><div>Luis Torres Valdés</div><div>Senior Manager</div></div>
<div><div>Mario Sánchez</div><div>Senior Manager</div></div>
<div><div>Managers</div><div>(4)</div></div>
<div><div>Senior Associates</div><div>(4)</div></div>
<div><div>Associates</div><div>(5)</div></div>

Fernando Scherrer,
CPA, CIRA, CA, MBA
Managing Shareholder
Assurance & Business Advisory

Mr. Fernando Scherrer is the Managing Shareholder in charge of the Business Advisory and Assurance Divisions. He co-founded Scherrer Hernández & Co. along with CPA Gabriel Hernández in February of 2000, now BDO Puerto Rico, P.S.C..

He has more than 23 years of experience in public accounting providing assurance services to insurance companies as well as to publicly-traded, private, multi-national, growth-oriented companies and not-for-profit organizations. Mr. Scherrer is a licensed Certified Public Accountant in Puerto Rico, USVI, Illinois and Louisiana, and a Certified Insolvency and Restructuring Advisor (CIRA). He is also certified as an Arbitrator by the Puerto Rico Supreme Court and has extensive insurance and SEC reporting experience and has assisted clients on initial public offerings and other public filings, mergers and acquisitions, due diligence procedures, review of internal controls and other matters, and has performed several valuation analyses for “buy-sell” transactions. He has served as expert witness and consultant in various cases working together with several law firms.

From 2006 and 2009, Mr. Scherrer was the Executive Vice President and Chief Financial Officer at FirstBank of Puerto Rico, at the time a \$19 billion publicly traded financial institution. During his three-year stay at FirstBank, Mr. Scherrer led key projects like the restatement process, capital raising initiatives, the implementation and improvements of interest rate risk measurements and reporting tools and was instrumental in the lifting of all cease and desist orders by regulatory agencies.

Prior to founding Scherrer Hernández & Co., Mr. Scherrer spent 10 years of his career in the Big 4 accounting firm Price Waterhouse (now PricewaterhouseCoopers LLP or PwC), where he acquired expertise in the financial services, government, manufacturing, distribution and insurance industries.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Puerto Rico Society of Certified Public Accountants
Institute of Internal Auditors
Association of Insolvency and Restructuring Advisors

EDUCATION

M.B.A. in Finance, University of North Carolina
B.B.A in Accounting, Washington University

Harry Alemán, CPA, MBA,
CIA, CGAP, CICA, CFS, CRMA
Partner
Business Advisory & Outsourcing

Over 20 years of public accounting experience providing services to clients in the industries of government, retail, wholesale, and not-for profit.

Vast experience in analysis of internal controls, business processes, federal funds management and fraud investigations. He has served clients placed on high risk by the Federal Government and helped them to be removed from such placement. Also, he has helped many clients to correct findings from their Single Audit by assisting them in the preparation and implementation of the Corrective Action Plan. Improving business processes and internal controls for client’s operations is one of his capabilities as a professional.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Puerto Rico Society of Certified Public Accountants
Institute of Internal Auditors
Institute for Internal Controls
Association of Certified Fraud Specialists

EDUCATION

Masters in Finance from the Interamerican University of Puerto Rico
B.B.A in Accounting, University of Puerto Rico

Luis Torres Valdes, CPA

Senior Manager
Business Advisory

Mr. Torres is a Certified Public Accountant with over twelve (12) years of experience within our Business Advisory Division. Mr. Torres has worked as a Finance Director in companies such as: Professional Consulting and Novotek PR. He has an extensive experience working with the Department of Education providing technical support in all aspects of the federal funds management including budget creation, changes and closing per federal laws and regulations. He participated in the development process and all administrative matters related to federal funds management for No Child left behind Program. He also has provided support to the Program Officers in maintenance an accurate accounting records. Mr. Torres has implemented knowledge transfer and training to the Program personnel in each area for early warning system implementation.

PROFESSIONAL AFFILIATIONS

Puerto Rico Society of Certified Public Accountants

EDUCATION

B.B.A. in Accounting, El Turabo University

Mario Sánchez, CPA

Senior Manager
Business Advisory

Mr. Sanchez is a Certified Public Accountant and Chartered Global Management Accountant with more than twelve (12) years working in public accounting.

Mario's experience mainly developed around government entities providing direct assistance on the preparation of financial statements, identifying risk, conduct the efforts proposed in accordance with generally accepted accounting principles in accordance with all Federal Agency accounting, quality assurance guidelines and regulations.

He specialized in management and compliance related to Federal Grants and establishing correction plans to remove "High Risk" grantee designations. Mario also assisted the finance, budget and external resources offices regarding accounting, budget, time & labor process, and any issue regarding federal funds management and provide direct assistance on the preparation of Indirect Cost Rate proposals in compliance with Federal Regulations.

PROFESSIONAL AFFILIATIONS

Puerto Rico Society of Certified Public Accountants
American Institute of Certified Public Accountants
Chartered Institute of Management Accountant

EDUCATION

B.B.A. in Accounting, University of Puerto Rico

CONTINUING PROFESSIONAL EDUCATION

FOR OUR PROFESSIONAL STAFF

The Firm sets the plan and prepares for the annual CPE program by the following process. Each year the CPE team reviews and assesses the content of current training material, and in conjunction with subject matter experts, develops, updates and delivers core curricula in line with the performance and development needs in group live, group internet-based, and self-study platforms. This content spans CPA Technical, Technology, and Business and Leadership areas for national, regional and local office training programs. The Curriculum Liaisons (Training & Development Managers) provide feedback by summarizing local needs/trends to the international sponsors on training relevance based on feedback and experience in the day to day offices. The annual forecasting process assists the practice offices in identifying training participation for each of the annual milestone courses and appropriate training for new hires and industry group specialization placement. Finally, the CPE Program complies with yellow book CPE requirements.





STAFF CONTINUITY AND TURNOVER

STAFF CONTINUITY

We understand the benefits to be gained both for our clients and our own team in maintaining a consistent senior project team and we make every effort to achieve continuity.

Planning for staff availability is an essential element in the operational processes of our business and we can confirm that the team outlined in this document is the team you will see and work with for the duration of this assignment.

We recognize that on occasions team changes are inevitable. Should this arise, we will discuss the options with you and enable you to meet the potential new team members in advance. We will ensure any new resources are appropriately experienced and fully briefed. Any time spent briefing the new team member would, of course, be at our cost.

HISTORICAL LOW TURNOVER RATES

BDO has a history of low turnover rates. We know high turnover negatively impacts client satisfaction, the amount of time and energy our clients spend to acclimate our personnel, and overall engagement efficiency. It is also in our own best interest to retain the investments we make in hiring and training good employees. Because it benefits us and our clients, we do not accept the theory that high turnover in our profession is inevitable. We have made significant efforts during the past several years to keep our staff turnover below the industry average.

We believe that our rates of turnover will continue to be lower than industry standards. In Puerto Rico, BDO is the first CPA Firm ever awarded with the recognition as one of the Top 20 Employers.

Excellent Staff-to-Partner Ratio: We also view our intentionally created low staff-to-partner ratio as a strategy against staff turnover, as our staff receive closer mentoring and oversight. This also restructures relationships with clients to be much more partner-driven.

Partners' Responsibility: We have also placed responsibility on all our partners to work hard to retain staff; it is even a metric of their performance evaluations.

Hiring: We invest heavily in the recruiting process. Like many organizations, we believe the best way to retain personnel is to be proactive in the recruiting process; to find employees with the right strengths and character who will fit into our firm culture.

High Growth Rate: This translates to greater career opportunities for our professionals.

PROFESSIONAL FEES

VALUE FOR FEES

We are committed to quality, value-added service.

We understand the importance of efficiencies and cost control, and have specifically designed our audit methodology to provide your engagement team with the tools they need to perform high quality audit service in as cost effective a manner as possible.

In addition, you may contact us at any time without additional charges. A collaborative relationship is important and BDO is committed to investing the necessary time to discuss your changes, challenges and potential issues which may impact you and your business.

We believe in complete transparency, which means:

- ▶ We quote services based on experience and realistic expectations to avoid unexpected fees.
- ▶ It is not our practice to bill for routine telephone consultations or questions unless they require significant research. If you request special services outside the scope of services outlined in this proposal, we will discuss those services and provide management with a fee estimate related to such assistance. We will not allow concerns about fees to jeopardize a relationship based on mutual trust and respect.

Our fee proposal:

We are committed to provide a quality service to the Department of Education that represents value for money and is completely transparent when it comes to fees. Our proposed fees are as follows:

	Estimated Hours	Blended Rate	Fees*
Total	34,300	\$105 per hour	\$ 3,601,500

APPENDIXES

- A. Detailed Scope of Work
- B. Our Services
- C. Peer Review Report

A. DETAILED SCOPE OF WORK

With our assistance and support the Department of Education will provide capacity building to employees in order to for them to develop the necessary skills to manage the program on an efficient way. In addition BDO will assist the Department in the integration of tasks related to the new structure

SERVICES TO BE PROVIDED

Support and Technical Assistance to 21st Century Community Learning Centers

1. Creation and development of financial and statistical reporting tools that permits the program to create reports on academic enrichment activities for children, contact hours per student and the correlation between those activities and the students academic results.
2. Development of evaluation tools with specific metrics of execution that permits the program ranks the service providers in relation with the students academic results, parental participation and community satisfaction.
3. Do analysis and recommendation regarding the best practices of use of funds, focused in reduce the carryover funds, planning process and a year work plan that guides the Program in achieving the main goals of the Puerto Rico Department of Education
4. Prepare required reports on budgets, obligations, disbursements, as well as reports requested for Risk Management or United State Department of Education, external auditors and other required by the Program.
5. Guidance, knowledge transfer and training staff in the process of review of audit reports required, among these single audit, contract compliance and financial statements submitted by the certified public accountants of each participating entity of federal funds from the 21st Century Program.

Support and Technical Assistance to the Participation of Children Enrolled in Private Schools Unit

1. Development of strategies, templates and procedures in order to have automated and full online private schools request of services, invoices process and the necessary audit trails documentation in order to have complete visibility and reports that allow the Program to make informed decisions.
2. Create a reporting tool by compile financial and statistical data regarding the type of professional development activities that permits the program evaluate the academic impact of those activities in the private schools participants.
3. Development of evaluation tools with specific metrics of execution that permits the program ranks the service providers in relation with the students academic results, parental participation and community satisfaction.
4. Provide support and technical assistance to the Equitable Services Unit in the creation of efficient processes that demonstrate compliance with section 1117 of the "Every Student Succeed Act" through the use of best fund management practices.
5. Support and technical assistance in the automatization of the Consolidated State Performance Report (CSPR), Student Poverty Level Threshold, EDFacts Reports, as well as any other report requested.

A. DETAILED SCOPE OF WORK (CONT.)

SERVICES TO BE PROVIDED

Support and Technical Assistance to the Program Title II, Part A: Teacher and Principal Training and Recruiting

1. Create a database for the PRDE teacher certification and recertification needs and help the program to develop an strategic to provide teachers with those certification in order to increase student achievement consistent with the challenging State academic standards
2. Design a strategic plan by data analysis process to identified the teachers, principals, and other school leaders who are effective in improving student academic achievement in schools in order to stablish the goals for effectively use of the program funds.
3. Develop an effective procedures and tracking tool for the open and closeout process of each semester of the universities tuition fees services to teachers in order to identified surplus of funds on time to redistribute the funds and decrease the amount of carryover funds .
4. Conduct an analysis of the use of class size reduction academic strategic in order to assist the program in the process of budget distribution in connection with the PRDE goals and effectively use of federal funds
5. Support and advice in the implementation of the law Every Student Succeeds Act in relation to the Title II of the Act Preparing Training and Recruiting High Quality Teachers and Principals or Other School Leaders.
6. Support to the program coordinator, the Director of the Auxiliary Secretariat of Federal Affairs Assistant Secretary or his delegate in any additional request related to the management of program funds.

Support and Technical Assistance to the Program Mathematics & Science Partnership

1. Support and technical assistance in the process of account closeout

Support and Technical Assistance to the Auxiliary Secretariat of Federal Affairs as a liaison with the Department of Education Office of Human Resources, The Office of Planning, The Budget Office among others in relation to federal funds management.

► Among the tasks to be performed are:

1. Support and technical assistance in reconciling the budget and expenditures of federal accounts as part of the activities to ensure that use of funds in a timely manner.
2. Create a reconciliation tool for personal assignment and the approved federal budget for each position paid with federal funds
3. Support and technical assistance to Office of Budget and Finance Department in federal accounts close out process.

A. DETAILED SCOPE OF WORK (CONT.)

SERVICES TO BE PROVIDED

Support and Technical Assistance to the Work Plan Unit and the Adjudication Unit of the Auxiliary Secretariat of Federal Affairs

1. Development of a data collection tool of the students, teachers and schools' feedback on the services received through the approved work plans. Maintain a data base to create periodic progress reports based on each work plan achievements. Including training and knowledge transfer to the PRDE staff.
2. Prepare cost and expected metrics analysis for work plans approved by the Auxiliary Secretariat of Federal Affairs and provide support in the decision-making process.
3. Development and creation of working tools that would facilitate the invoices review process to the PRDE staff on invoices received from vendors in an approved work plan. (Create uniformity in billing for the services - this since the creation of the proposed work plan).
4. Prepare budget analysis impact of the work plans to ensure the effective implementation of the services according to the goals established by the Department of Education.
5. Provide project management support and technical assistance to create timelines about all procedures and process for the implementation of the work plans funded by the Auxiliary Secretariat of Federal Affairs. Identify prematurely the potential remaining to prepare relevant adjustments and modifications for good management of the federal funds.
6. Provide recommendations for improvement to the adjudication unit in evaluating the professional services forms (PSF), request for proposal (RFP) process, work plan platform and the logistic for all process of the office.

Support and Technical Assistance to the Monitoring Unit of the Auxiliary Secretariat of Federal Affairs

1. Train the Monitoring Unit personnel on planning and defining scope of monitoring activities to reach those programs at most risk and work over improvement. Ordering activity planning on both SEA and LEA level and sequencing the processes to work organized and effectively.
2. Resource planning based on the population of offices and programs to be monitored based on a Risk Assessment Analysis. Develop professional education trainings to the monitoring personnel to empower them on the areas to be visit and the processes to the evaluated.
3. Developing schedules and time lines and enforce their accomplishments. Work on time estimates to effectively plan over reachable goals.
4. Follow up on the implementation of an electronic data base or software that enables the realization of the monitoring process on-line, enabling the production of reports and statistical data that shows the results of the work performed.
5. Develop a review process on the monitoring findings, train the monitoring personnel on this process to create uniformity on the monitoring results.
6. Create additional monitoring tools for the evaluations on the use of funds, currently the main effort of the monitoring unit is directed to the programmatic aspect of the processes. Documentation of results reached including charts, graphics and presentations on a periodic basis to monitor the results of the efforts in place.

A. DETAILED SCOPE OF WORK (CONT.)

SERVICES TO BE PROVIDED

Support and Technical Assistance to Management and Administration of Federal Funds

1. Design and implementation of administrative processes that require the use and management of federal funds to the various offices and programs, as requested by client. Provide recommendations to improve operational procedures that impact federal funds and assists in their implementation.
2. Technical assistance in the analysis of reasonableness and permissibility in the use of federal funds support and follow up on compliance with federal requirements of comparability, maintenance of effort and supplement not supplant.
3. Support, and technical assistance in the process of preparing reports requested from the state and/or the federal government related to the federal funds administered by the Auxiliary Secretariat of Federal Affairs
4. Provide training to the staff of the Auxiliary Secretariat of Federal Affairs on issues related to budget management, federal requirements, and any other needs related to the proper use of federal funds.
5. Support and technical assistance in creation and evaluation of procedures manuals, circular letters, regulations and administrative memorandums of compliance with federal requirements.

Support and Technical Assistance to the Homeless Program & Neglected and Delinquent Program

1. Support in the creation of procedure manuals to be used in the program.
2. Support and knowledge transfer to the program in the development of instrument of monitoring and risk assessments.

Other Support and Technical Assistance to be Provided:

1. Technical assistance related to the compliance of Federal laws and regulations related to the ESSA law implementation process and its impact in the Human Resources functions.
2. Technical assistance related to the implementation of effective strategies for the implementation of the new Local Educational Agency Regions.

B. GENERAL SERVICES

BDO offers a breadth of services tailored to meet your needs today and in the future. Beyond traditional audit, tax and consulting work, some of the specific ways we can help include:

BUSINESS ADVISORY SERVICES

- ▶ Risk Advisory Services (RAS)
 - Internal Audit
 - Best Practices Policies and Procedures Documentation
 - Risk assessment
 - Governance, Compliance, and Risk Management
 - Sarbanes-Oxley
 - Contract and Regulatory Compliance
- ▶ Transaction Advisory Services
 - Financial Due Diligence
 - Capital Raise Initiatives
 - Mergers & Acquisitions (M&A) Tax
 - Mergers & Acquisitions (M&A) Dispute Resolution
 - Post-Merger Planning and Integration Support
- ▶ Valuations and Business Analytics
 - Financial and Tax Reporting
 - Transaction Support
 - Business Analytics
- ▶ Forensic Accounting & Investigations
 - Corruption and Fraud Investigations
 - Anti-Fraud and Anti-Corruption Compliance
 - Forensic Technology Services
 - Fraud Prevention and Fraud Risk Assessment
- ▶ Restructuring and Turnaround Services
 - Capital Raising Advisory
 - Interim and Crisis Management
 - Business Debt Restructuring
 - Business Workout and Turnaround Management Consulting
 - Business Bankruptcy Alternatives
- ▶ Litigation, Arbitration, and Dispute Advisory
 - Lost Profits / Damages Analysis
 - Construction Claims Litigation
 - Family Law
 - Shareholder and Partners Disputes
 - Post-acquisition Disputes
 - Arbitration
- ▶ Financial Institutions Advisory Services
 - Loan Reviews process for loans portfolio
 - Commissioner of Financial Institutions compliance examination
 - Evaluation and documentation of intercompany changes as required by Regulation W
 - Allowance for Loan Losses Documentation and Calculation

- ▶ Government Contracting
 - Grant Management and Compliance Services
 - Cost Allocation Plans
 - Indirect Cost Proposals
- ▶ Strategic and Other Advisory Services
 - Interim Functions (CFO/Comptrollership)
 - Acquisition and Divestiture Analysis
 - Represent Clients to Obtain Closing Agreements and Ruling Requests
 - Financial Statement Preparation Support
 - Value of Recapitalizations
 - Business Process Outsourcing
 - Recruiting

IT, RISK, AND COMPLIANCE SERVICES

- ▶ Information Technology
 - IT Support
 - Data Networks
 - Technical Support
- ▶ Risk Management
 - CIO Advisory
 - Business Impact Analysis
 - Disaster Recovery Plan
 - Business Continuity Plan
 - Risk Assessments
 - Strategic technology and information systems planning
 - Vulnerability Assessments
 - Penetration Test
 - Documentation (policies and procedures)
 - Project Management
 - Process definition and development
 - User Training
 - RFP development for system selection
 - IT Governance
 - Computer Forensic Analysis
- ▶ Compliance
 - SSAE no. 16 readiness
 - SSAE no. 16 engagements
 - Rule 76 (as per the Insurance Commissioner)
 - Data Analytics / Computer Assisted Audit Techniques (CAATs)
 - Regulatory Frameworks
 - IT Contract Compliance
 - Systems Validation
 - HIPAA Compliance Services

B. GENERAL SERVICES (CONT.)

ASSURANCE SERVICES

- ▶ Financial Statements Audit
 - Consumer Business
 - Financial Services
 - Mortgage Banking
 - Gaming, Hospitality & Leisure
 - Government & Public Sector
 - Healthcare
 - Individuals
 - Manufacturing & Distribution
 - Natural Resources
 - Nonprofit & Education
 - Mutual Funds/Private Equity
 - Real Estate & Construction
 - Restaurants
 - Technology & Telecommunications
 - Employee Benefits
 - Others
- ▶ Law 163 Compliance Report
- ▶ Employee Benefit Plans Audit
 - Defined Benefit Plans
 - Defined Contribution Plans
 - ERISA Compliance Matters
- ▶ Agreed Upon Procedures
 - Specific Certifications
 - Tourism Tax Credits
 - Development Tax Credits
 - Compliance with Contractual Requirements
- ▶ Sarbanes Oxley Section 404 Compliance and Documentation
- ▶ Examinations Reports
- ▶ Governmental Entities and Single Audits
- ▶ Computer Application Audits - SSAE 16
- ▶ Technical Accounting Advisory
- ▶ Reviews and Compilations
- ▶ Internal Control Assessments

OUTSOURCING SERVICES

- ▶ Accounting Services
 - Bookkeeping
 - Bank reconciliations
 - Subsidiaries of A/R and A/P
 - Fixed assets ledger
 - Monthly financial reports
 - Others
- ▶ Payroll and Payroll Taxes
 - Computation of payroll
 - ACH transfers to the employees
 - Payroll reports
 - Deposits of social security and ITW
 - Quarterly and Annual returns and reports
 - Informative returns
 - Workmen compensation insurance policy
- ▶ Tax Compliance
 - Sales and Use tax returns
 - Small Business Tax returns

- ▶ Others
 - Entity registration in the governmental agencies
 - ACH payment processing to vendors
 - Financial statements support
 - Deal with debt notifications
 - Human resources general advisory

TAX COMPLIANCE

- ▶ Tax Return Preparation and/or Review
 - Individual
 - Corporate
 - Trusts, local and foreign
 - Partnerships
 - Estates
 - No-for-profits
 - Deferred Compensation Plans
 - Gift tax (local and federal)
 - Corporation of Individuals
 - Federal, State and Local Returns, with and without Tax Incentives
 - Municipal and Personal Property Tax Returns
 - Sales and Use Tax Returns
 - Individual and Family Tax
 - Expatriate Services
 - Other
- ▶ Income Tax Provision Reviews

TAX ADVISORY SERVICES

- ▶ Business Income Tax Matters
 - Choice of entity and business formations
 - Entity classification elections
 - Tax accounting methods
 - Special deductions calculations
 - Alternative minimum tax planning
 - Insolvency and cancelation of indebtedness analysis
 - Accounting for income taxes (ASC 740)- outsourcing and consulting
 - Uncertain tax positions analysis (FIN 48)
 - Tax planning and consulting
 - Corporate documentation, operating agreements and capital structuring
- ▶ Tax Controversy
 - IRS and PR Treasury audits and examinations
 - Ruling Requests
 - Penalty Abatements
 - Closing Agreements
 - Tax notices
- ▶ Compensation and Benefits
 - Employee stock option plans
 - Structuring executive pay
 - Incentive plans
 - Employee benefit plan audits
 - Executive Compensation- Section 409A
 - Cross-border compensation design
 - Tax equalizations

B. GENERAL SERVICES (CONT.)

TAX ADVISORY SERVICES (CONT.)

- ▶ State & Local Taxes
 - Request for tax incentive
 - Gross receipts diagnostic assessments
 - Municipal nexus studies and license tax registrations
 - Property tax planning
 - Municipal excise taxes
 - Controversy and audit defense
 - Sales and use tax registrations
 - Sales and use tax nexus determination
 - Sales and use tax general consulting and planning
- ▶ Nonprofit Tax Services
 - Nonprofit formation
 - Tax exemption qualifications with IRS and PR Treasury
 - Unrelated business income (UBI) issues
- ▶ Private Client Services
 - Asset protection strategies
 - Wealth transfer planning
 - Gift, estate and trust tax planning
 - Foreign-trust reporting, planning, and compliance
 - IRS, State and PR examinations
 - Identification of tax-efficient opportunities
 - Alternative minimum tax planning
 - Projections for tax liability
- ▶ Tax Incentives and Credits
 - Planning and design of tax efficient structures
 - Tax incentives applications
 - Renegotiation and amendments of tax grants
 - Tax credits documentation and monetization
 - Individual Tax Grants
 - Export Services Tax Grants
 - Private Equity Tax Grants
 - International Financial Entities- licenses and consulting
 - International Insurance Companies Act
 - Tourism Development Act
 - Film Industry Incentives Act
 - Green Energy Incentives Act
 - Economic Incentives for the Development of Puerto Rico
- ▶ Tax Transaction Advisory Services
 - Structuring of acquisitions, dispositions, mergers, carve-outs, etc.
 - Tax modeling and tax benefit analyses
 - Tax due diligence, both buy-side and sell-side
- ▶ International Tax Services
 - Permanent establishment analysis
 - IRC 367 transfers
 - Cross-border tax structures and reorganizations
 - Anti Inversion Transactions
 - CFC and Subpart F analysis
 - PFIC analysis
 - Foreign Account Tax Compliance Act (FATCA)
 - Foreign withholding and information return reporting
- ▶ Transfer Pricing
 - Planning
 - Compensation structure design
 - Intangible property valuations and buy-in payments
 - Market penetration strategies
 - Mergers and acquisitions due diligence services
 - Compliance Services
 - Documentation studies (global and country-specific)
 - Intercompany policy and implementation guidelines
 - Intercompany agreements
 - Audit Defense Support
 - Tax authority response and negotiation
 - Dispute resolution
 - Competent authority submissions
 - Litigation support and testimony
 - Benchmarking Services
 - Financial ratio analysis
 - Capital structure analysis
 - Effective tax rate analysis
 - Royalty rate analysis



PEER REVIEW



De Angel & Compañía
CORPORACIÓN PROFESIONAL
CONTADORES PÚBLICOS AUTORIZADOS

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To the Stockholders of
BDO Puerto Rico, P.S.C.
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants

SYSTEM REVIEW REPORT

We have reviewed the system of quality control for the accounting and auditing practice of **BDO Puerto Rico, P.S.C.** (the firm) in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of *Employee Benefit Plans*, and examinations of services organizations Service Organizations Control (SOC) 1 and 2 engagements.

In our opinion, the system of quality control for the accounting and auditing practice of **BDO Puerto Rico, P.S.C.** in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. **BDO Puerto Rico, P.S.C.** has received a peer review rating of *pass*.

License No. 113
Expires on December 1, 2018

San Juan, Puerto Rico
February 17, 2017
2017-03-16

Stamp Number
E-259123
was affixed to
original

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BDO Puerto Rico, PSC, a Puerto Rico Professional Services Corporation, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO USVI, LLC, a United States Virgin Island's limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the international BDO network and for each of the BDO Member Firms.

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your individual needs.

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BDO PUERTO RICO/USVI PROPOSAL TO PROVIDE SERVICES TO: PUERTO RICO DEPARTMENT OF EDUCATION

JUNE 21, 2018

Appendix B





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June 21, 2018

Ms. Julia B. Keleher, ED. D, PMP
Puerto Rico Department of Education
PO Box 190759
San Juan, PR 00919-0759

Dear Ms. Keleher:

We thank you for the opportunity to present our proposal to provide advisory services to the Puerto Rico Department of Education ("Department of Education"). BDO has a unique culture rooted in core values that ensures continuous focus on our clients and professionals and a long-term commitment to quality service. Our clients experience our culture through a service approach characterized by extensive involvement of senior professionals, direct access to top technical resources, and straightforward, proactive communications delivered through a centralized, responsive, knowledgeable client service team.

With a global footprint that spans 154 countries and extensive experience delivering professional accounting services to companies around the world, BDO is poised to address your immediate service needs and is ready to leverage our capabilities to support you in your objectives.

We understand there are several matters that you consider to be important when selecting a professional accounting firm. We believe the following attributes demonstrate why BDO is the ideal firm for the Department of Education:

- ▶ BDO's extensive experience and expertise in assurance, tax and advisory services
- ▶ BDO's deep government and related sectors experience
- ▶ Swift responsiveness and issue resolution
- ▶ Your engagement team is empowered to make technical decisions in the field.
- ▶ BDO's "no surprises" and value-added competitive fees philosophy

The following statement of our capabilities aims to address these concerns and outline how BDO will meet your service needs. Our involved and accessible partners combined with our technical knowledge and flexible, non-bureaucratic organizational structure will provide you with responsive service. We are confident BDO can meet your needs and exceed your expectations in providing well-coordinated services in a cost-effective manner.

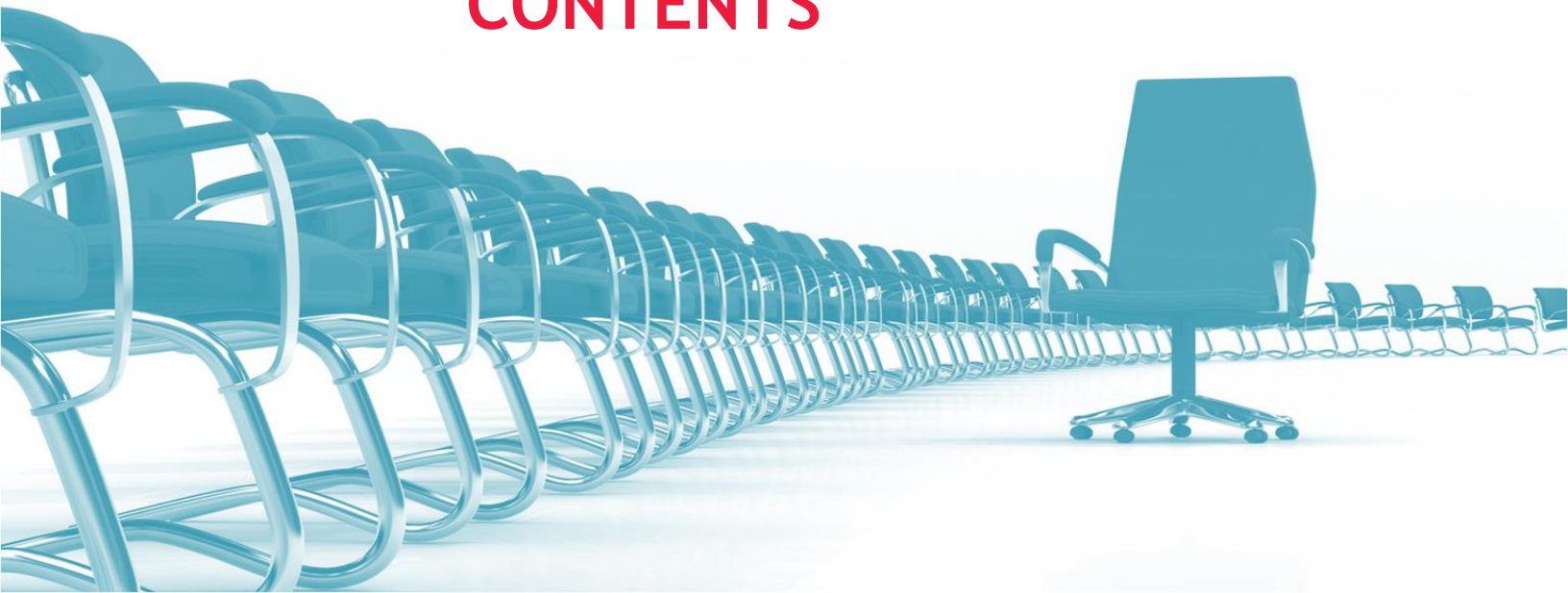
Again, we thank you for the opportunity to propose. We look forward to personally presenting our proposal, further demonstrating our capabilities and distinctly different service approach, and responding to any related questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Fernando Scherrer", with a long horizontal flourish extending to the right.

Fernando Scherrer, CPA, CA, MBA
Managing Partner
Business Advisory & Assurance Services
787-378-4363
fernando@bdo.com.pr

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FIRM PROFILE AND QUALIFICATIONS

THE BDO NETWORK - WHERE YOU NEED US, WHEN YOU NEED US

The world seems to be much smaller, and BDO clients value our international reach. Our global network in more than 162 countries stands ready to serve your Organization wherever in the world you do business. The benefits of a global network include:

- ▶ A globally integrated service model
- ▶ The active involvement of local senior professionals
- ▶ A consultative, client-specific approach
- ▶ An industry-specific team, with you for the long term
- ▶ A service culture of continuous, proactive communication



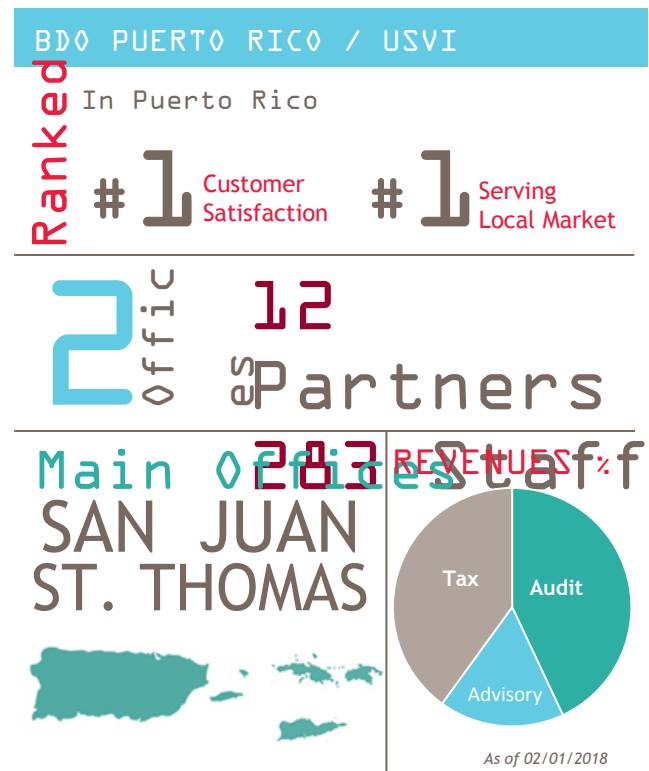
BDO PUERTO RICO/USVI LOCAL REACH

LOCAL PRESENCE

BDO is a full service certified public accounting, tax and business advisory firm with 18 years of industry-focused experience, providing services to public and private clients. With a novel, ground breaking approach centered in partnering with our clients and providing exceptional client service, BDO is the fastest growing and largest local firm in the Island. We are your ideal business partner with the best skilled and trained professionals suited to manage your ongoing and future needs.

Since its foundation, our key to success has always been focusing on our clients' needs and having high caliber professionals. This allows us to keep up-to-date with the industry trends, anticipating changes, and designing proper strategies to take advantage of arising opportunities.

- ▶ Member of the BDO international network, leveraging local expertise with a global perspective
- ▶ Building bridges between creative ideas and viable entrepreneurship
- ▶ Only international firm with meaningful local presence in the USVI
- ▶ Winner of the prestigious Network of the Year award at the International Accounting Bulletin (IAB) Awards 2015.
- ▶ Over 240 skilled and trained professionals, including CPAs, CVAs, CFEs, MAFFs, CGMAs, CIAs, CRMAs, CGAPs, CISAs, CIRAs, PMPs and Attorneys
- ▶ Ranked #1 in customer satisfaction at a recent survey of audit and consulting firms in Puerto Rico
- ▶ First CPA Firm ever awarded with the recognition as one of the Top 20 Employers in Puerto Rico
- ▶ The only Firm recognized by the Ernst & Young Entrepreneur of the Year Award in Puerto Rico
- ▶ Registered with the American Institute of Certified Public Accountants and the Public Company Accounting Oversight Board



INDUSTRY STRENGTHS

- Education and Non-profit
- Energy and Natural Resources
- Financial Services and Insurance
- Government and Public Sector
- Healthcare
- Hospitality
- Manufacturing
- Private Equity and Hedge Funds
- Real Estate Ventures and Development
- Retail and Distribution

EXCEPTIONAL CLIENT SERVICE

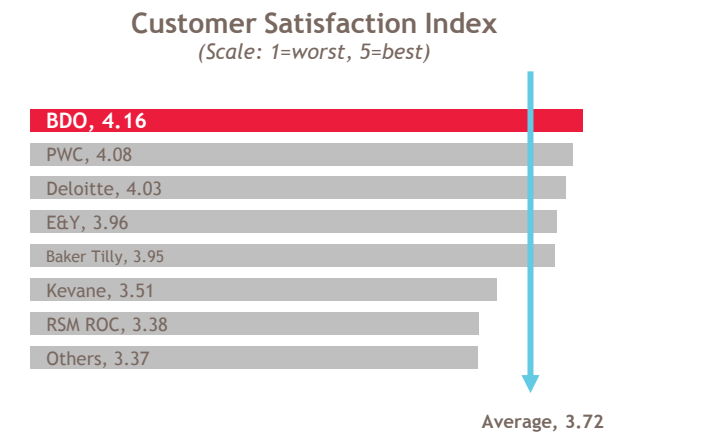
#1 IN CUSTOMER SATISFACTION

BDO PUERTO RICO RANKS NO.1 IN CUSTOMER SATISFACTION

Customers of audit and advisory firms in Puerto Rico participating in an independent survey, ranked BDO Puerto Rico No. 1 in customer satisfaction.

The market research firm *Centroamérica en Siete Días* surveyed 150 mid and large, companies located in Puerto Rico that currently receive services from local audit and advisory firms. The surveys were conducted in February of 2015.

BDO scored 4.16 (out of 5) in customer satisfaction, exceeding even international “Big 4” firms. The survey also shows BDO’s solid second position in terms of market share with 18%, surpassed only by PwC with 20%.



Gabriel Hernandez, CPA
Partner, BDO Puerto Rico, P.S.C.

“We focus every day on putting our customers at the center of everything we do. The results of this customer satisfaction survey reflect our hard work and drives us to continue to think of our customers first and how we can partner with them every day to obtain a better economic performance in their respective businesses.”

Because of our commitment to quality service BDO has emerged as the firm of choice for many organizations transitioning away from local service providers as well as “Big 4” firms.

Some of the organizations that have found value changing from the “Big 4” to BDO include:

- ▶ 3M Puerto Rico, Inc.
- ▶ Advent-Morro Equity Partners, Inc.
- ▶ Agilent Technologies Inter-Americas, Inc.
- ▶ Ballester Hermanos, Inc.
- ▶ CCM Group (Commercial Centers Management)
- ▶ César Castillo, Inc.
- ▶ ddr Group
- ▶ Dubon Group
- ▶ Economic Development Bank
- ▶ Empresas Caparra Group
- ▶ Fundación Ángel Ramos
- ▶ Guardian Insurance
- ▶ Hubbell Incorporated
- ▶ Kraft-Heinz
- ▶ Industrial Rubber & Mechanics Inc. (INRUMEC)
- ▶ Lamar Advertising of Puerto Rico, Inc.
- ▶ Lockhart Group (USVI)
- ▶ Luxury Hotels International of Puerto Rico, Inc.
- ▶ Perfecseal, Inc.
- ▶ Puerto Rico Electric Power Authority (PREPA)
- ▶ Puerto Rico Industrial Development Company (PRIDCO)
- ▶ Puerto Rico Infrastructure Financing Authority (AFI)
- ▶ Puerto Rico Ports Authority
- ▶ Rooms To Go (PR), Inc.
- ▶ Sealy Matress Co. of Puerto Rico
- ▶ Tegrant Alloy Brands of Puerto Rico
- ▶ United Surety Insurance Company & USIC Life
- ▶ University of the Virgin Islands
- ▶ Wärtsilä Caribbean, Inc.

PUBLIC SECTOR EXPERIENCE

BDO PUBLIC SECTOR EXPERIENCE

SERVING THE PUBLIC SECTOR - WE KNOW YOU

BDO's Government Services professionals have an in-depth knowledge and understanding of applicable state and local government rules and regulations, federal and industry accounting and auditing standards and requirements, financial management rules and requirements, information technology system auditing standards, and economic stimulus program and reporting requirements. Our methodologies and program management approach are designed to deliver repeatable and reliable processes that help clients achieve their goals, facilitate communications, assure accurate and timely reporting, and enable effective operations.

BDO is a valued business advisor to many agencies in the public sector. Our professionals deliver hands-on experience and technical skills to address each of our clients' distinctive needs.

Our team of professionals offers the hands-on experience and technical skill you can rely upon to serve the distinctive needs of the Department of Education.

Our team includes professionals that have worked with GASB 34 financial statements since the pronouncement was issued in 2002. We have implemented GASB 34 for several Public Corporations and the Commonwealth of Puerto Rico, including the conversion from fund accounting to Government Wide financial statements.

We also engage in efforts to design, direct, or recommend corrective action programs to assist governmental and other public sector agencies remediate deficient practices and establish effective accounting protocols, systems, and procedures.

Many of these have been complex and comprehensive projects requiring coordination of multiple tasks for numerous entities within short timelines. We are, therefore, prepared and well-qualified to perform the required audits and prepare all of the reports required by the Department of Education in a coordinated and integrated manner that meets your needs for accurate reporting and timely delivery.



PUBLIC SECTOR SERVICES

PUBLIC SECTOR SERVICES

BDO's Public Sector provides advisory and management consulting support services to government clients. We do this by leveraging over one hundred years of commercial and global history as a company and highly qualified, experienced professionals within the government sector.

BDO's Public Sector practice was launched in the past decade in response to the demand for a fresh, independent perspective in the government environment from a firm able to leverage its proven methodologies and reputation for providing services to its clients for more than 100 years.

ADVISORY

- ▶ **Audit Readiness and Audit Remediation:** Our team provides audit readiness and remediation support to clients undergoing financial statement and compliance audits. From assisting in the development of standardized documentation to support financial transactions to business process improvement and reengineering, our team assists government clients overcome financial and performance audit obstacles.
- ▶ **Internal Controls:** We assist government clients develop and maintain sustainable internal controls programs that provide effective and efficient operations; accurate, timely, and relevant data; and prevent and detect misuse, mismanagement, and fraud through our internal controls services. We provide internal controls assessment services which take a risk-based approach view of an organization to develop and implement an internal controls program that is not only effective and efficient, but results-driven and cost effective. By developing a risk-based approach, an agency can direct people, resources, and funds to a series of actions to ensure efficient and effective financial reporting.

- ▶ **Financial Compliance and Financial Management:** Our team provides financial management services to government clients that cover the spectrum of CFO's responsibilities: budget planning and execution, financial reporting, performance and program evaluation, financial policy, accounting, financial system testing and maintenance, and internal control assessments. We also assist government entities with achieving and maintaining compliance with standards and regulations such as Office of Management and Budget Circulars and government accounting standards.
- ▶ **GASB 34 Financial Statements and Comprehensive Annual Financial Report (CAFR):** Our team of professionals are the industry leaders in preparing GASB 34 Financial Statements and the CAFR. We have over 15 years of experience with GASB 34 and over 20 years in the preparation of the CAFR for the Commonwealth of Puerto Rico.

PUBLIC SECTOR SERVICES OFFERING

BREADTH OF EXPERIENCE

BDO offers a breadth of services tailored to meet your needs. Our core services include:

Assurance, Accounting, and Financial Reporting

- ▶ Financial Audit
- ▶ Performance Audit
- ▶ Single Audit pursuant to Uniform Guidance 2 CFR 200 Subpart F (Previously known as OMB Circular A-133)
- ▶ Audit Readiness Support and Remediation
- ▶ Accounting Procedures Design and Implementation
- ▶ Outsourced CFO Act Accounting Support
- ▶ Budget and Performance Integration
- ▶ Cost Accounting Advisory Services
- ▶ Financial Statement Compilation

Inspector General Support Services

- ▶ Management and Evaluation of Use of Public Expenditures
- ▶ Audits and Reporting on Use of Public Expenditures
- ▶ Assessment of Internal Controls
- ▶ Forensic and Investigatory Projects
- ▶ Performance Audits and Reviews

Technology Governance and Portfolio Management

- ▶ Information Technology Security, Risk Evaluation, and Management
- ▶ General and Application Controls Internal Audit
- ▶ Information Technology and Business Process Alignment
- ▶ IT Controls Assessments

Compliance, Risk Advisory, and Crisis Management

- ▶ Regulatory and Statutory Compliance Reviews
- ▶ Program and Contract Compliance Reviews
- ▶ Internal Control Audit/Evaluation
- ▶ Internal Control Design and Improvement
- ▶ OMB Program Review and Submissions
- ▶ Business Process Improvement and Reengineering

Business Process Enhancement

- ▶ Operational Performance Assessments and Improvements
- ▶ Business Processes Integration
- ▶ Project Management Office
- ▶ Financial Analysis and Modeling
- ▶ Business Continuity Plans
- ▶ Controls Optimization

Enterprise Risk Management and Internal Audit

- ▶ Financial and Operational Audits
- ▶ Quality Assurance Reviews
- ▶ Risk Assessment
- ▶ Controls Optimization
- ▶ Strategic Partnering and Staffing
- ▶ Procurement, Vendor, Royalty, and Construction Audits
- ▶ Corporate Governance Assessments

Fraud Detection/Prevention, Investigations, and Litigation Support

- ▶ Fraud and Misconduct Risk Assessment
- ▶ Investigative Due Diligence
- ▶ Complex Damages Analysis
- ▶ Electronic Discovery (eDiscovery)
- ▶ Gap Analysis
- ▶ Benchmarking
- ▶ Forensic Data Analysis
- ▶ Intellectual Property Valuation
- ▶ Securities Litigation Services
- ▶ Fraud Awareness and Prevention
- ▶ Anti-Corruption Compliance and Investigations
- ▶ Large-Scale Data Recovery and Analysis

PUBLIC SECTOR EXPERIENCE

Advisory Services

- Autonomous Municipality of Caguas
- Commonwealth of Puerto Rico
- Department of Economic Development and Commerce
- Employees Retirement System of the Government of Puerto Rico and its Instrumentalities
- Government Development Bank of Puerto Rico and Affiliates
- Public Corporation for the Supervision and Deposit Insurance of Puerto Rico Cooperatives
- Puerto Rico Department of Agriculture
- Puerto Rico Buildings Authority
- Puerto Rico Council on Higher Education
- Puerto Rico Department of Justice
- Puerto Rico Department of Education
- Puerto Rico Department of Family
- Puerto Rico Department of Health
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board
- Puerto Rico Health Insurance Administration
- Puerto Rico Housing Department
- Puerto Rico Housing Finance Authority
- Puerto Rico Office and Management and Budget
- Puerto Rico Treasury Department

Grants Management

- Puerto Rico Department of Education
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board

Single Audits

- Government Development Bank and Affiliates
- Institute of Puerto Rican Culture
- Puerto Rico Department of Natural Resources
- Puerto Rico Infrastructure Financing Authority (AFI)
- Puerto Rico Ports Authority
- University of Puerto Rico
- Virgin Islands Water and Power Authority

Preparation of Government Wide Financial Statements

- Commonwealth of Puerto Rico
- Government Development Bank
- Institute of Puerto Rican Culture
- Municipality of Caguas
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Electric Power Authority (PREPA)
- Puerto Rico Infrastructure Financing Authority
- Puerto Rico Tourism Company

Indirect Cost Proposals and Cost Allocation Plans

- Administration for the Development of Families and Children
- Puerto Rico Department of Education
- Puerto Rico Department of Family
- Puerto Rico Department of Labor and Human Resources
- Puerto Rico Department of Natural and Environmental Resources
- Puerto Rico Environmental Quality Board

PUBLIC SECTOR EXPERIENCE

Governmental Audits

- Additional Lottery System
- Association of Employees of the Commonwealth of Puerto Rico (AEELA)
- Autonomous Municipality of Caguas (includes Single Audit)
- Autonomous Municipality of Humacao
- Autonomous Municipality of San Juan (includes Single Audit)
- Department of Natural and Environmental Resources (includes Single Audit)
- Economic Development Bank (includes Single Audit)
- Employees Retirement Systems of the Government of Puerto Rico and Judiciary
- Government Development Bank of Puerto Rico and Affiliates
- Institute of Puerto Rican Culture
- Office of the Commissioner of Insurance
- Port of the Americas Authority
- Public Buildings Authority
- Public Corporation for the Supervision and Deposit Insurance of PR Cooperatives (COSSEC)
- Puerto Rico Commerce and Export Company
- Puerto Rico Department of Transportation and Public Works (DTOP)
- Puerto Rico Department of Health (includes Single Audit)
- Puerto Rico Electric Power Authority (PREPA)
- Puerto Rico Film Industry Corporation
- Puerto Rico Fiscal Agency and Financial Advisory Authority (FAFAA)
- Puerto Rico Health Insurance Administration (includes Single Audit)
- Puerto Rico Highways and Transportation Authority (PRHTA)
- Puerto Rico Industrial Development Company (PRIDCO)
- Puerto Rico Industrial, Tourist, Educational Medical and Environmental Control Facilities
- Puerto Rico Infrastructure Financing Authority
- Puerto Rico Land Administration
- Puerto Rico Land Authority
- Puerto Rico Maritime Shipping Authority
- Puerto Rico Municipal Finance Agency
- Puerto Rico Ports Authority
- Puerto Rico Public Broadcasting Corporation (WIPR-Puerto Rico Networks)
- Puerto Rico State Automobile Accident Compensation Administration (ACAA)
- Puerto Rico Teachers Retirement System
- Puerto Rico Trade and Export Authority
- State Insurance Fund Corporation
- Teachers Retirement System
- University of Puerto Rico
- Virgin Islands Public Broadcasting System (WTJX)



SERVICE APPROACH

SCOPE OF WORK

SERVICES TO BE PROVIDED

- ▶ We will provide Technical Assistance and Financial Consulting Services to the Secretariat of the Puerto Rico Department of Education during the fiscal year ending June 30, 2019. We will focus our assistance on increasing the Department’s efficiency by improving the mechanisms used to manage, allocate, assign and use funds and resources to achieve the desired results. These results will be driven by the following goals:
 1. Increase student’s academic achievement.
 2. Assists students in their academic, emotional and social development.
 3. Establish new strategies for teacher’s professional development.
 4. Right-sizing the Department and establish streamlined procedures.
 5. Other general goals.
- ▶ Below you will find a table with the work to be performed including the related tasks for each work and the Department’s goals that will be impacted by each task:

WORK TO BE PERFORMED	RELATED TASKS	IMPACTED GOAL
Assist the Human Resources department in teacher and employee assignment, needs determination, data analysis, data validation and roster creation by school, regions and central level to ensure that all needs are being covered, the funding is adequate and reduce the surplus of personnel.	<ul style="list-style-type: none"> • Perform continuous roster evaluations to ensure that all the necessary positions are being correctly filled and on a timely manner in a way that students have the resources needed in classroom to reduce/eliminate the hours without classes due to unassigned teachers. • Prepare roster reports to the Secretary to assist her in the decision-making process. • Use monthly budget vs actual comparisons to identify differences between the Department’s headcount and the one established in the fiscal plan and the budget. 	1
Provide support to the Budget Office in the creation of the process to gather the information needed to prepare the 2019-20 budget and in the preparation of such budget to ensure that funds are being allocated in an equitable way and in compliance with laws and regulations.	<ul style="list-style-type: none"> • Create a formal process for gathering and evaluate the data/information needed from each area to ensure that it is received on a timely manner and aligned with the goals established by the Department in a way that all the necessary funds are being allocated to each school on a per student basis. • Produce a uniform methodology to be used in the preparation of the budget in a way that each year can be comparable. • Generate comparison methods to compare actual expenses against the budget to establish a proper monitoring process of the budget that ensure that funds are being expended in the intended purpose. • Use bench marking techniques to compare the Department’s per pupil funding with other similar jurisdiction to improve the way that funds are being allocated to schools. 	1, 2
Provide support to Department staff in the implementation of the Law 85 (School Reform Law).	<ul style="list-style-type: none"> • Serve as Project Managers to ensure that each area is complying on a timely manner with the requirements and changes to be implemented as part of the School Reform Law in a way that the ensure the purposes of the Law are being achieved. 	1, 2, 3

SCOPE OF WORK

SERVICES TO BE PROVIDED

- Below you will find a table with the work to be performed including the related tasks for each work and the Department’s goals that will be impacted by each task (Cont.):

WORK TO BE PERFORMED	RELATED TASKS	IMPACTED GOAL
Assist in the preparation of the National Public Education Financial Survey for the 2017 and 2018 fiscal years to ensure that the information provided to the Federal Government is accurate and the survey is submitted on time in order to comply with Federal regulations and there is no negative effect in the Federal funds received due to non-compliance or inaccurate information.	<ul style="list-style-type: none"> • Create a procedure manual to prepare this survey and provide capacity building techniques to employees to ensure the knowledge is transferred. • Use data validation techniques to ensure that the information received and used is accurate and supportable. • Prepare a list of areas for improvement in terms of the accuracy of the data needed and roadblocks encountered during the process and provide recommendations. • Develop a plan to implement the recommendations and provide technical assistance for its implementation to ensure that futures surveys are submitted on time and accurate. 	1
Prepare the Department’s Indirect Cost Proposal for the fiscal year 2019 (Base year 2017).	<ul style="list-style-type: none"> • Create a procedure manual and the templates needed to prepare the proposal to ensure that it complies with the required laws and regulations established by the Federal Government. • Use capacity building techniques to train employees in these regulatory aspects and in the process of preparing the proposal. 	1, 2, 3
Analyze the teachers surplus and/or needs in all the school system in order to maximize the teachers’ distribution and the funds used for such purposes.	<ul style="list-style-type: none"> • Use data analysis techniques to keep track of changes in school personnel and to compare rosters against needs. • Prepare reports to assist the secretary in the decision-making process related to personnel. 	3
Provide support to the Department personnel in relation to the reorganization of the central level structure.	<ul style="list-style-type: none"> • Assist in the design of the new organizational chart and in the process of its implementation. • Use benchmarking techniques to compare other similar jurisdictions and assist the department in the decision-making process. • Ensure that the Department is complying with all applicable laws and regulations and advise the Secretary of any possible deviation or risk of non-compliance. 	4

SCOPE OF WORK

SERVICES TO BE PROVIDED

Below you will find a table with the work to be performed including the related tasks for each work and the Department’s goals that will be impacted by each task (Cont.):

WORK TO BE PERFORMED	RELATED TASKS	IMPACTED GOAL
<p>Assist the Department in the school reopening for the new school year in terms of facilities conditions and moving of equipment and materials.</p> <p>Support and technical assistance in the school consolidation and redesign process in order to improve the efficiency by right-sizing the school system.</p>	<ul style="list-style-type: none"> • Gather data from schools to update the database with current information. • Perform data analysis to determine the schools needed based on their enrollment and other aspects such as distance, infrastructure conditions, security, health and safety, etc. • Serve as Project Managers to ensure that all the schools are ready to open, and the planned work has been accomplished on time. • Serve as Project Managers during the moving process to ensure that all the equipment and materials needed are delivered to each receiving school. • Prepare data analysis in form of graphs, flowcharts, timelines, etc. to assist the secretary during the decision-making process. • Design the plan to be used for the moving of equipment and materials to schools and/or warehouses. 	4
<p>Assist the Department during the process of inventory of equipment in order to update the Department’s records and ensure compliance with laws and regulations.</p>	<ul style="list-style-type: none"> • Monitoring the inventory taking process to ensure that all schools are complying with the inventory taking requests. • Visit schools to ensure that the inventory was correctly taken and uploaded to the system in a correct manner. • Assist in the inventory taking process of schools that are at risk of not complying with the plan. • Prepare weekly reports to the Secretary to assist in the decision-making process. 	4
<p>Serve as liaison between the Department and FEMA as part of the funds recovery efforts related to Hurricane Irma and María.</p>	<ul style="list-style-type: none"> • Assist the Department in the communication with FEMA to ensure that all guidelines are being follow. • Ensure that all the documentation requested by FEMA is provided on a timely manner. • Prepare weekly progress report to the Secretary to assist in the decision-making process. • Prepare workplans and timelines needed to guide the recovery efforts. 	5

SCOPE OF WORK

SERVICES TO BE PROVIDED

Below you will find a table with the work to be performed including the related tasks for each work and the Department’s goals that will be impacted by each task (Cont.):

WORK TO BE PERFORMED	RELATED TASKS	IMPACTED GOAL
Provide support and technical assistance to the following areas: <ul style="list-style-type: none"> Vocational Program Technological Institutes Budget Office School Lunch Program Auxiliary Services Security Administration Planning Office 	<ul style="list-style-type: none"> Ensure that the tasks established for these areas are being worked as planned by the Secretary. Serve as Projects Managers to assist the managers of this areas in the daily operations and in accomplishing the established goals. Provide Capacity Building Assistance to train employees in these areas and improve their knowledge and effectiveness (on the job training). Prepare progress report to keep the Secretary inform on how the areas are accomplishing the established goals and/or tasks. Assist these areas in preparing their operational budget according to their needs and goals established. Analyze the processes and internal controls in these areas to identify possible flaws and areas for operational improvement. Develop new processes to increase the operational efficiency. 	5
Advise the Secretary of the Puerto Rico Department of Education in any petition requested and perform any other duties assigned by her.	<ul style="list-style-type: none"> To be determined 	TBD

SCOPE OF WORK (CONT.)

SERVICES TO BE PROVIDED

- ▶ This workplan pursues the idea that funds should assist the Department in achieving the goals they are intended to be use for. We will be using the following approaches/techniques as part of our work with the end of adding value and improve the operational efficiency of the Department:
 - Establish the use of metrics to measure compliance and ensure that all program reporting is being prepared on time.
 - Analyze the data received from programs to assist them in the development of new strategies to ensure compliance with State laws and regulations by pursuing efficiency.
 - Evaluation of information and results to assist in strategic decision-making.
 - Establish a detailed workplan for each program goal and for each project to organize the work to performed and ensure that all tasks are being assigned and deadlines are established.
 - Monitoring activities to ensure that funds are being used for the purposes intended for and to determine its effectiveness.
 - Design of timelines and operational strategies.
 - Use of frameworks, flowcharts and procedures manuals to transfer the obtained knowledge and reduce the learning curve.
 - Data validation to ensure that the data used in the decision-making process is reliable and can serve as the basis for comparisons, decisions and analysis.
 - Use of Risk Analysis approaches to identify problematic areas and then develop and establish preventive and detective controls to reduce or eliminate risks.
 - Maximize the use of Information Systems to generate data in a speed up manner for better decision making.
 - Project Management strategies to organize the work to be performed, the goals to be accomplished and follow up the timeline established.
- ▶ The use of this approaches/techniques will guide our services to assist the Department in the establishment of improved process, improve decision making and optimize operations. With the analysis performed and the information provided the Department's personnel will have all the necessary tools to achieve its goals in an efficient way.



EFFECTIVE APPROACH

BUSINESS RISK FOCUSED

Our methodology efficiently manages risk for our clients and ourselves in a consistent manner. Our planning and strategy is ‘business risk’ focused and therefore tailored for each of our clients to reflect the specific operational, regulatory and financial risks they face.

COMMON GLOBAL METHODOLOGY

We have a consistent shared global methodology that manages our clients’ and our own risks effectively. Because we use a common advisory methodology around the world and share common software platforms, we are consistent and transparent in how we approach the work performed at every location. This allows members of our global advisory engagement team to “speak the same language,” which is critical to our ability to effectively coordinate the services we provide.

OUR APPROACH

- ▶ **Information gathering.** Of current assessment utilities and control activities to enable us to design appropriate procedures, and conduct the engagement in the most efficient manner and within the pre-agreed time frame and budget.
- ▶ **Suitably qualified staff.** In order to enable an efficient understanding procedure, while maximizing the opportunity for value added service from their experience.

- ▶ **Effective communications.** Effective listening and regular, proactive two-way communication throughout our work process is an essential cornerstone of our work quality and superior client service. This focus on communication allows your BDO advisory team to gather information necessary to perform the engagement and keep you up to date on the status of our services so that you can provide timely input and evaluate whether our services meet your high expectations.
- ▶ **Scalable.** Every organization is unique, and obtaining a strong understanding of your business is essential to tailoring our services to your company’s unique risks and business needs, and avoiding a “one size fits all” approach. Our methodology has been specifically designed to be flexible and scalable so that your engagement team can incorporate its understanding of your business into the approach to appropriately size our efforts to your operations.
- ▶ **Early and Continuous Partner Involvement.** Our professional staff to partner ratio is lower than our major competitors, enabling more time for shareholders to be actively involved in the engagements. Your advisory shareholder has considerable business experience, and BDO believes the engagement shareholder should be actively involved throughout the engagement process in a hands-on manner. Our methodology has been specifically designed to facilitate this level of partner involvement.
- ▶ **Industry Focus.** Through our existing portfolio we have developed industry specific procedures which we will tailor to your specific situation.

INDEPENDENCE AND CLIENT CONFIDENTIALITY

AUDIT INDEPENDENCE

Not only do we have to ensure that BDO remains independent of our audit clients; we also have to ensure that we are perceived to be independent by any readers of your financial statements. We therefore have a number of safeguards in place to ensure this is the case.

If any of our staff believe that they might be conflicted, there is a duty on them to make the circumstances known to the partners. Any staff with financial, business or personal relationships with you will not be allowed to be part of the audit team.

The firm fully complies with the auditing profession's ethical standards on independence.

POTENTIAL CONFLICTS

We have made appropriate conflict of interest inquiries with each of our firms around the world in accordance with our quality assurance procedures, and can confirm that our appointment by you will not give rise to any conflicts.

BDO Puerto Rico, P.S.C. has maintained a professional relationships with the Commonwealth of Puerto Rico and several agencies as mentioned in our Public Sector Experience on pages 9 and 17. These relationships do not constitute a conflict of interest relative to performing the proposed services.

OUR APPROACH TO DEALING WITH CONFLICTS OF INTEREST

We recognize that conflicts can arise from time to time, for example due to a legal action. We will always consider these conflicts on a case by case basis. For every case, we will seek permission to discuss with the other party before proceeding.

BDO will submit a written notice to the Management of the Department of Education in the occasion of engaging in any new professional relationship with the Commonwealth of Puerto Rico during the period of the audit contract.

If both parties are content for us to act, we will agree the safeguards which need to be established – which may involve the use of separate teams and offices.

If it is not appropriate for us to act for both parties, we will endeavour to reach the fairest solution by recognizing the respective position of each party and their ability to engage the services of another provider.

CONFIDENTIALITY

We confirm that when you give us confidential information we will at all times keep it confidential, except as required by law, regulation or professional pronouncements applicable to our engagement.

QUALITY ASSURANCE

The quality of our work is key to our success and we have made a number of investments to ensure our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards.

INTERNAL QUALITY ASSURANCE PROCEDURES

In order to protect our position as a recognized and competent international accounting and consulting organization and to ensure all clients are well served, the BDO network abides by the standards established by the various technical committees of BDO. For the purpose of ensuring that there is compliance with these standards, we have a Quality Assurance manager.

BDO QUALITY ASSURANCE PROCEDURES

We have a number of mechanisms in place to ensure that our professional services are performed to a high level of quality in accordance with BDO's policies and applicable professional and regulatory standards. These mechanisms include:

- ▶ **Internal reviews** – all technical work is reviewed by a partner and/or a senior technical manager to ensure work is performed and delivered to standards consistent with all relevant professional standards, and complies fully with appropriate regulatory and legislative requirements.

- ▶ **Staff continuity planning** – we understand the benefits to be gained both for our client and for our internal staff in maintaining stable project teams. To this end we build continuity planning into our general business planning and transition planning when necessary. This promotes continuity wherever possible and ensures seamless service.
- ▶ **External reviews** – BDO is subject to periodic AICPA Independent Peer Reviews. Our most recent inspection results are included as an appendix.



CLIENT SATISFACTION

We fully expect our clients to monitor and measure our performance as external professional service providers.

Depending on your requirements, this can be by reference to all or some of the following:

- ▶ Our planning arrangements – it is essential in year one to manage the transition from your present auditors well;
- ▶ The completion of work in line with plans, including the identification and response to critical issues;
- ▶ Our understanding of your business and breadth of operations;
- ▶ The quality of our conclusions and recommendations (implemented, proportional);
- ▶ The timeliness of reporting;
- ▶ Meeting of pre-agreed deadlines;
- ▶ The overall involvement of the partner and manager;
- ▶ The personal engagement of our team;
- ▶ The levels of communication throughout the year;
- ▶ Overall satisfaction with our service.

Good quality, accurate and open client feedback allows us to enhance our performance and gauge how well we are meeting our client's expectations. We take client service and satisfaction seriously, and continuously assess our clients' expectations and perceptions.

BDO recognizes that exceptional client service is achieved in the long term only if we provide a sustained level of superior service which is monitored throughout our relationship. The feedback is gathered as follows:

- ▶ Regular engagement team meetings to discuss the progress of our work and current issues encountered;
- ▶ Engagement team and the Department of Education's management closing meeting at the conclusion of the annual audit to receive feedback and discuss opportunities for improvement;
- ▶ Client professional performance evaluations throughout the year;
- ▶ Periodic conversations initiated by BDO non-engagement team leaders to provide additional opportunities for candid feedback.

SERVICE TEAM

WORKING TOGETHER

Companies know their success is dependent upon swift management decisions and the guidance of a sound business advisor. From global Fortune 500 companies to emerging niche entrepreneurs, *BDO is this advisor.*

Represented by more than 280 top-notch professionals, Certified Public Accountants and skilled and trained professionals, including CVAs, CFEs, MAFFs, CGMAs, CISAs, CIRAs, PMPs and Attorneys.

BDO Puerto Rico/USVI Organizational Chart
as of 02/01/2018

ASSURANCE	TAX / OUTSOURCING	ADVISORY		
Partners	Partners	Partners		
6	4	2		
Directors & Managers	Directors & Managers	BUSINESS ADVISORY / TECHNOLOGY & RISK MANAGEMENT / GOVERNMENT		
14	16	Directors & Managers	Directors & Managers	Directors & Managers
		4	4	21
Senior Associates	Senior Associates	Senior Associates	Senior Associates	Senior Associates
32	14	2	2	14
Associates	Associates	Associates	Associates	Associates
35	42	6	2	43
ADMINISTRATION				
20				





BDO LEADERS SERVING THE DEPARTMENT OF EDUCATION

Engagement Team
<div><div>Fernando Scherrer</div><div>Relationship Partner</div></div>
<div><div>Harry Alemán</div><div>Engagement Partner</div></div>
<div><div>Luis Torres Valdés</div><div>Senior Manager</div></div>
<div><div>Mario Sánchez</div><div>Senior Manager</div></div>
<div><div>Managers</div><div>(4)</div></div>
<div><div>Senior Associates</div><div>(4)</div></div>
<div><div>Associates</div><div>(3)</div></div>

Fernando Scherrer,
CPA, CIRA, CA, MBA
Managing Shareholder
Assurance & Business Advisory

Mr. Fernando Scherrer is the Managing Shareholder in charge of the Business Advisory and Assurance Divisions. He co-founded Scherrer Hernández & Co. along with CPA Gabriel Hernández in February of 2000, now BDO Puerto Rico, P.S.C..

He has more than 23 years of experience in public accounting providing assurance services to insurance companies as well as to publicly-traded, private, multi-national, growth-oriented companies and not-for-profit organizations. Mr. Scherrer is a licensed Certified Public Accountant in Puerto Rico, USVI, Illinois and Louisiana, and a Certified Insolvency and Restructuring Advisor (CIRA). He is also certified as an Arbitrator by the Puerto Rico Supreme Court and has extensive insurance and SEC reporting experience and has assisted clients on initial public offerings and other public filings, mergers and acquisitions, due diligence procedures, review of internal controls and other matters, and has performed several valuation analyses for “buy-sell” transactions. He has served as expert witness and consultant in various cases working together with several law firms.

From 2006 and 2009, Mr. Scherrer was the Executive Vice President and Chief Financial Officer at FirstBank of Puerto Rico, at the time a \$19 billion publicly traded financial institution. During his three-year stay at FirstBank, Mr. Scherrer led key projects like the restatement process, capital raising initiatives, the implementation and improvements of interest rate risk measurements and reporting tools and was instrumental in the lifting of all cease and desist orders by regulatory agencies.

Prior to founding Scherrer Hernández & Co., Mr. Scherrer spent 10 years of his career in the Big 4 accounting firm Price Waterhouse (now PricewaterhouseCoopers LLP or PwC), where he acquired expertise in the financial services, government, manufacturing, distribution and insurance industries.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Puerto Rico Society of Certified Public Accountants
Institute of Internal Auditors
Association of Insolvency and Restructuring Advisors

EDUCATION

M.B.A. in Finance, University of North Carolina
B.B.A in Accounting, Washington University

Harry Alemán, CPA, MBA,
CIA, CGAP, CICA, CFS, CRMA
Partner
Business Advisory & Outsourcing

Over 20 years of public accounting experience providing services to clients in the industries of government, retail, wholesale, and not-for profit.

Vast experience in analysis of internal controls, business processes, federal funds management and fraud investigations. He has served clients placed on high risk by the Federal Government and helped them to be removed from such placement. Also, he has helped many clients to correct findings from their Single Audit by assisting them in the preparation and implementation of the Corrective Action Plan. Improving business processes and internal controls for client’s operations is one of his capabilities as a professional.

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants
Puerto Rico Society of Certified Public Accountants
Institute of Internal Auditors
Institute for Internal Controls
Association of Certified Fraud Specialists

EDUCATION

Masters in Finance from the Interamerican University of Puerto Rico
B.B.A in Accounting, University of Puerto Rico

Luis Torres Valdes, CPA

Senior Manager
Business Advisory

Mr. Torres is a Certified Public Accountant with over twelve (12) years of experience within our Business Advisory Division. Mr. Torres has worked as a Finance Director in companies such as: Professional Consulting and Novotek PR. He has an extensive experience working with the Department of Education providing technical support in all aspects of the federal funds management including budget creation, changes and closing per federal laws and regulations. He participated in the development process and all administrative matters related to federal funds management for No Child left behind Program. He also has provided support to the Program Officers in maintenance an accurate accounting records. Mr. Torres has implemented knowledge transfer and training to the Program personnel in each area for early warning system implementation.

PROFESSIONAL AFFILIATIONS

Puerto Rico Society of Certified Public Accountants

EDUCATION

B.B.A. in Accounting, El Turabo University

Mario Sánchez, CPA

Senior Manager
Business Advisory

Mr. Sanchez is a Certified Public Accountant and Chartered Global Management Accountant with more than twelve (12) years working in public accounting.

Mario’s experience mainly developed around government entities providing direct assistance on the preparation of financial statements, identifying risk, conduct the efforts proposed in accordance with generally accepted accounting principles in accordance with all Federal Agency accounting, quality assurance guidelines and regulations.

He specialized in management and compliance related to Federal Grants and establishing correction plans to remove “High Risk” grantee designations. Mario also assisted the finance, budget and external resources offices regarding accounting, budget, time & labor process, and any issue regarding federal funds management and provide direct assistance on the preparation of Indirect Cost Rate proposals in compliance with Federal Regulations.

PROFESSIONAL AFFILIATIONS

Puerto Rico Society of Certified Public Accountants
American Institute of Certified Public Accountants
Chartered Institute of Management Accountant

EDUCATION

B.B.A. in Accounting, University of Puerto Rico

CONTINUING PROFESSIONAL EDUCATION

FOR OUR PROFESSIONAL STAFF

The Firm sets the plan and prepares for the annual CPE program by the following process. Each year the CPE team reviews and assesses the content of current training material, and in conjunction with subject matter experts, develops, updates and delivers core curricula in line with the performance and development needs in group live, group internet-based, and self-study platforms. This content spans CPA Technical, Technology, and Business and Leadership areas for national, regional and local office training programs. The Curriculum Liaisons (Training & Development Managers) provide feedback by summarizing local needs/trends to the international sponsors on training relevance based on feedback and experience in the day to day offices. The annual forecasting process assists the practice offices in identifying training participation for each of the annual milestone courses and appropriate training for new hires and industry group specialization placement. Finally, the CPE Program complies with yellow book CPE requirements.





STAFF CONTINUITY AND TURNOVER

STAFF CONTINUITY

We understand the benefits to be gained both for our clients and our own team in maintaining a consistent senior project team and we make every effort to achieve continuity.

Planning for staff availability is an essential element in the operational processes of our business and we can confirm that the team outlined in this document is the team you will see and work with for the duration of this assignment.

We recognize that on occasions team changes are inevitable. Should this arise, we will discuss the options with you and enable you to meet the potential new team members in advance. We will ensure any new resources are appropriately experienced and fully briefed. Any time spent briefing the new team member would, of course, be at our cost.

HISTORICAL LOW TURNOVER RATES

BDO has a history of low turnover rates. We know high turnover negatively impacts client satisfaction, the amount of time and energy our clients spend to acclimate our personnel, and overall engagement efficiency. It is also in our own best interest to retain the investments we make in hiring and training good employees. Because it benefits us and our clients, we do not accept the theory that high turnover in our profession is inevitable. We have made significant efforts during the past several years to keep our staff turnover below the industry average.

We believe that our rates of turnover will continue to be lower than industry standards. In Puerto Rico, BDO is the first CPA Firm ever awarded with the recognition as one of the Top 20 Employers.

Excellent Staff-to-Partner Ratio: We also view our intentionally created low staff-to-partner ratio as a strategy against staff turnover, as our staff receive closer mentoring and oversight. This also restructures relationships with clients to be much more partner-driven.

Partners' Responsibility: We have also placed responsibility on all our partners to work hard to retain staff; it is even a metric of their performance evaluations.

Hiring: We invest heavily in the recruiting process. Like many organizations, we believe the best way to retain personnel is to be proactive in the recruiting process; to find employees with the right strengths and character who will fit into our firm culture.

High Growth Rate: This translates to greater career opportunities for our professionals.

PROFESSIONAL FEES

VALUE FOR FEES

We are committed to quality, value-added service.

We understand the importance of efficiencies and cost control, and have specifically designed our audit methodology to provide your engagement team with the tools they need to perform high quality audit service in as cost effective a manner as possible.

In addition, you may contact us at any time without additional charges. A collaborative relationship is important and BDO is committed to investing the necessary time to discuss your changes, challenges and potential issues which may impact you and your business.

We believe in complete transparency, which means:

- ▶ We quote services based on experience and realistic expectations to avoid unexpected fees.
- ▶ It is not our practice to bill for routine telephone consultations or questions unless they require significant research. If you request special services outside the scope of services outlined in this proposal, we will discuss those services and provide management with a fee estimate related to such assistance. **We will not allow concerns about fees to jeopardize a relationship based on mutual trust and respect.**

Our fee proposal:

We are committed to provide a quality service to the Department of Education that represents value for money and is completely transparent when it comes to fees. Our proposed fees are as follows:

	Estimated Hours	Blended Rate	Fees
Total	26,300	\$105 per hour	\$ 2,761,500

APPENDIXES

- A. Our Services
- B. Peer Review Report

A. GENERAL SERVICES

BDO offers a breadth of services tailored to meet your needs today and in the future. Beyond traditional audit, tax and consulting work, some of the specific ways we can help include:

BUSINESS ADVISORY SERVICES

- ▶ Risk Advisory Services (RAS)
 - Internal Audit
 - Best Practices Policies and Procedures Documentation
 - Risk assessment
 - Governance, Compliance, and Risk Management
 - Sarbanes-Oxley
 - Contract and Regulatory Compliance
- ▶ Transaction Advisory Services
 - Financial Due Diligence
 - Capital Raise Initiatives
 - Mergers & Acquisitions (M&A) Tax
 - Mergers & Acquisitions (M&A) Dispute Resolution
 - Post-Merger Planning and Integration Support
- ▶ Valuations and Business Analytics
 - Financial and Tax Reporting
 - Transaction Support
 - Business Analytics
- ▶ Forensic Accounting & Investigations
 - Corruption and Fraud Investigations
 - Anti-Fraud and Anti-Corruption Compliance
 - Forensic Technology Services
 - Fraud Prevention and Fraud Risk Assessment
- ▶ Restructuring and Turnaround Services
 - Capital Raising Advisory
 - Interim and Crisis Management
 - Business Debt Restructuring
 - Business Workout and Turnaround Management Consulting
 - Business Bankruptcy Alternatives
- ▶ Litigation, Arbitration, and Dispute Advisory
 - Lost Profits / Damages Analysis
 - Construction Claims Litigation
 - Family Law
 - Shareholder and Partners Disputes
 - Post-acquisition Disputes
 - Arbitration
- ▶ Financial Institutions Advisory Services
 - Loan Reviews process for loans portfolio
 - Commissioner of Financial Institutions compliance examination
 - Evaluation and documentation of intercompany changes as required by Regulation W
 - Allowance for Loan Losses Documentation and Calculation

- ▶ Government Contracting
 - Grant Management and Compliance Services
 - Cost Allocation Plans
 - Indirect Cost Proposals
- ▶ Strategic and Other Advisory Services
 - Interim Functions (CFO/Comptrollership)
 - Acquisition and Divestiture Analysis
 - Represent Clients to Obtain Closing Agreements and Ruling Requests
 - Financial Statement Preparation Support
 - Value of Recapitalizations
 - Business Process Outsourcing
 - Recruiting

IT, RISK, AND COMPLIANCE SERVICES

- ▶ Information Technology
 - IT Support
 - Data Networks
 - Technical Support
- ▶ Risk Management
 - CIO Advisory
 - Business Impact Analysis
 - Disaster Recovery Plan
 - Business Continuity Plan
 - Risk Assessments
 - Strategic technology and information systems planning
 - Vulnerability Assessments
 - Penetration Test
 - Documentation (policies and procedures)
 - Project Management
 - Process definition and development
 - User Training
 - RFP development for system selection
 - IT Governance
 - Computer Forensic Analysis
- ▶ Compliance
 - SSAE no. 16 readiness
 - SSAE no. 16 engagements
 - Rule 76 (as per the Insurance Commissioner)
 - Data Analytics / Computer Assisted Audit Techniques (CAATs)
 - Regulatory Frameworks
 - IT Contract Compliance
 - Systems Validation
 - HIPAA Compliance Services

A. GENERAL SERVICES (CONT.)

ASSURANCE SERVICES

- ▶ Financial Statements Audit
 - Consumer Business
 - Financial Services
 - Mortgage Banking
 - Gaming, Hospitality & Leisure
 - Government & Public Sector
 - Healthcare
 - Individuals
 - Manufacturing & Distribution
 - Natural Resources
 - Nonprofit & Education
 - Mutual Funds/Private Equity
 - Real Estate & Construction
 - Restaurants
 - Technology & Telecommunications
 - Employee Benefits
 - Others
- ▶ Law 163 Compliance Report
- ▶ Employee Benefit Plans Audit
 - Defined Benefit Plans
 - Defined Contribution Plans
 - ERISA Compliance Matters
- ▶ Agreed Upon Procedures
 - Specific Certifications
 - Tourism Tax Credits
 - Development Tax Credits
 - Compliance with Contractual Requirements
- ▶ Sarbanes Oxley Section 404 Compliance and Documentation
- ▶ Examinations Reports
- ▶ Governmental Entities and Single Audits
- ▶ Computer Application Audits - SSAE 16
- ▶ Technical Accounting Advisory
- ▶ Reviews and Compilations
- ▶ Internal Control Assessments

OUTSOURCING SERVICES

- ▶ Accounting Services
 - Bookkeeping
 - Bank reconciliations
 - Subsidiaries of A/R and A/P
 - Fixed assets ledger
 - Monthly financial reports
 - Others
- ▶ Payroll and Payroll Taxes
 - Computation of payroll
 - ACH transfers to the employees
 - Payroll reports
 - Deposits of social security and ITW
 - Quarterly and Annual returns and reports
 - Informative returns
 - Workmen compensation insurance policy
- ▶ Tax Compliance
 - Sales and Use tax returns
 - Small Business Tax returns

- ▶ Others
 - Entity registration in the governmental agencies
 - ACH payment processing to vendors
 - Financial statements support
 - Deal with debt notifications
 - Human resources general advisory

TAX COMPLIANCE

- ▶ Tax Return Preparation and/or Review
 - Individual
 - Corporate
 - Trusts, local and foreign
 - Partnerships
 - Estates
 - No-for-profits
 - Deferred Compensation Plans
 - Gift tax (local and federal)
 - Corporation of Individuals
 - Federal, State and Local Returns, with and without Tax Incentives
 - Municipal and Personal Property Tax Returns
 - Sales and Use Tax Returns
 - Individual and Family Tax
 - Expatriate Services
 - Other
- ▶ Income Tax Provision Reviews

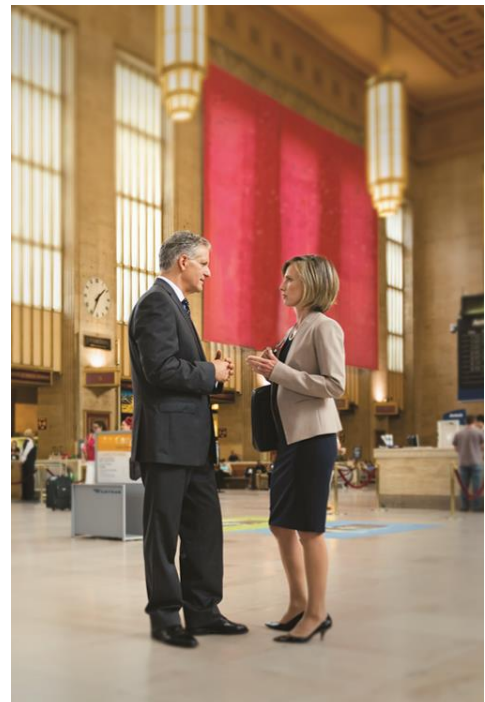
TAX ADVISORY SERVICES

- ▶ Business Income Tax Matters
 - Choice of entity and business formations
 - Entity classification elections
 - Tax accounting methods
 - Special deductions calculations
 - Alternative minimum tax planning
 - Insolvency and cancelation of indebtedness analysis
 - Accounting for income taxes (ASC 740)- outsourcing and consulting
 - Uncertain tax positions analysis (FIN 48)
 - Tax planning and consulting
 - Corporate documentation, operating agreements and capital structuring
- ▶ Tax Controversy
 - IRS and PR Treasury audits and examinations
 - Ruling Requests
 - Penalty Abatements
 - Closing Agreements
 - Tax notices
- ▶ Compensation and Benefits
 - Employee stock option plans
 - Structuring executive pay
 - Incentive plans
 - Employee benefit plan audits
 - Executive Compensation- Section 409A
 - Cross-border compensation design
 - Tax equalizations

A. GENERAL SERVICES (CONT.)

TAX ADVISORY SERVICES (CONT.)

- ▶ State & Local Taxes
 - Request for tax incentive
 - Gross receipts diagnostic assessments
 - Municipal nexus studies and license tax registrations
 - Property tax planning
 - Municipal excise taxes
 - Controversy and audit defense
 - Sales and use tax registrations
 - Sales and use tax nexus determination
 - Sales and use tax general consulting and planning
- ▶ Nonprofit Tax Services
 - Nonprofit formation
 - Tax exemption qualifications with IRS and PR Treasury
 - Unrelated business income (UBI) issues
- ▶ Private Client Services
 - Asset protection strategies
 - Wealth transfer planning
 - Gift, estate and trust tax planning
 - Foreign-trust reporting, planning, and compliance
 - IRS, State and PR examinations
 - Identification of tax-efficient opportunities
 - Alternative minimum tax planning
 - Projections for tax liability
- ▶ Tax Incentives and Credits
 - Planning and design of tax efficient structures
 - Tax incentives applications
 - Renegotiation and amendments of tax grants
 - Tax credits documentation and monetization
 - Individual Tax Grants
 - Export Services Tax Grants
 - Private Equity Tax Grants
 - International Financial Entities- licenses and consulting
 - International Insurance Companies Act
 - Tourism Development Act
 - Film Industry Incentives Act
 - Green Energy Incentives Act
 - Economic Incentives for the Development of Puerto Rico
- ▶ Tax Transaction Advisory Services
 - Structuring of acquisitions, dispositions, mergers, carve-outs, etc.
 - Tax modeling and tax benefit analyses
 - Tax due diligence, both buy-side and sell-side
- ▶ International Tax Services
 - Permanent establishment analysis
 - IRC 367 transfers
 - Cross-border tax structures and reorganizations
 - Anti Inversion Transactions
 - CFC and Subpart F analysis
 - PFIC analysis
 - Foreign Account Tax Compliance Act (FATCA)
 - Foreign withholding and information return reporting
- ▶ Transfer Pricing
 - Planning
 - Compensation structure design
 - Intangible property valuations and buy-in payments
 - Market penetration strategies
 - Mergers and acquisitions due diligence services
 - Compliance Services
 - Documentation studies (global and country-specific)
 - Intercompany policy and implementation guidelines
 - Intercompany agreements
 - Audit Defense Support
 - Tax authority response and negotiation
 - Dispute resolution
 - Competent authority submissions
 - Litigation support and testimony
 - Benchmarking Services
 - Financial ratio analysis
 - Capital structure analysis
 - Effective tax rate analysis
 - Royalty rate analysis



PEER REVIEW



De Angel & Compañía
CORPORACIÓN PROFESIONAL
CONTADORES PÚBLICOS AUTORIZADOS

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To the Stockholders of
BDO Puerto Rico, P.S.C.
and the Peer Review Committee of the
Puerto Rico Society of Certified Public Accountants

SYSTEM REVIEW REPORT

We have reviewed the system of quality control for the accounting and auditing practice of **BDO Puerto Rico, P.S.C.** (the firm) in effect for the year ended June 30, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*, audits of *Employee Benefit Plans*, and examinations of services organizations Service Organizations Control (SOC) 1 and 2 engagements.

In our opinion, the system of quality control for the accounting and auditing practice of **BDO Puerto Rico, P.S.C.** in effect for the year ended June 30, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. **BDO Puerto Rico, P.S.C.** has received a peer review rating of *pass*.

License No. 113
Expires on December 1, 2018

San Juan, Puerto Rico
February 17, 2017
2017-03-16

Stamp Number
E-259123
was affixed to
original

CONTACT INFORMATION

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e fernando@bdo.com.pr

BDO Puerto Rico, PSC, a Puerto Rico Professional Services Corporation, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO USVI, LLC, a United States Virgin Island's limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the international BDO network and for each of the BDO Member Firms.

Material discussed in this publication is meant to provide general information and should not be acted on without professional advice tailored to your individual needs.

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